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AFFORDABLE HOUSING PRODUCTION AND WORKING FAMILIES

HEARING

BEFORE THE

SUBCOMMITTEE ON HOUSING AND TRANSPORTATION

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

ON

THE AFFORDABLE HOUSING NEEDS OF WORKING FAMILIES AND THE STATE OF THE NATION'S HOUSING SUPPLY FOR BOTH RENTERS AND PROSPECTIVE HOMEBUYERS

MAY 15 AND SEPTEMBER 25, 2002

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MAY 15, 2002

WITNESSES

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WITNESSES

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AFFORDABLE HOUSING PRODUCTION AND WORKING FAMILIES

WEDNESDAY, MAY 15, 2002

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND TRANSPORTATION,
Washington, DC.

The Subcommittee met at 2:30 p.m. in room SD–538 of the Dirksen Senate Office Building, Senator Jack Reed (Chairman of the Subcommittee) presiding.

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. The Subcommittee will come to order.

Good afternoon. I would like to welcome everyone to today's Subcommittee hearing on affordable housing production and working families.

One out of every seven American families spends more than half of their total income on housing, or lives in a severely inadequate unit. Although the number of families with critical housing needs held more or less steady between 1997 and 1999, the number of working families with critical housing needs grew from 3 million to 3.9 million. About 80 percent of these 3.9 million families paid more than half of their income for housing. The other 20 percent lived in severely inadequate housing.

The Center for Housing Policy has found that when it comes to rental housing, a janitor can only rent a one-bedroom apartment on 30 percent of his income in six out of 60 metropolitan areas, while retail salespeople can afford a one-bedroom apartment in only three out of 60 metropolitan areas. For two-bedroom apartments, the situation is even worse. The same problem exists for teachers, police officers, and licensed practical nurses in too many high-cost metropolitan areas.

Recently, in an article in *The Washington Post,* reporter Peter Whoriskey pointed out that the rapid escalation of housing prices in the Washington area has largely been caused by a huge increase in employment opportunities without a similar increase in the number of new dwellings. For example, the number of jobs in Fairfax County during the 1990's increased three times as fast as the supply of homes—roughly 166,000 new jobs compared with 56,000 new units of housing.

Simply put, in too many places across America, there aren't enough homes for the number of families who need them.

In preparing for this hearing, we heard about a family that has been living in a Fairfax County homeless shelter. The family has a mom and dad and two children, a boy and a girl. The mom has worked for the Department of Veteran's Affairs for 9 years and makes over twice the minimum wage. The dad held a seasonal job with Fairfax County until the job ended. They were living in a townhouse in Alexandria, Virginia, that cost $950 a month, until the dad lost his job. He now has found work at a local military installation as a chef and the family is trying to find a new home. However, because of the age of their children, they are being told that, in Virginia, this means that they have to rent a three-bedroom apartment. This family is playing by the rules, but they still haven't been able to find housing and have been looking since early January.

However, critical housing needs are not just concentrated in urban areas. Only 1.6 million of those with critical housing needs live in central cities. Another 1.5 million live in the suburbs and about 660,000 families live in non-metropolitan areas.

In many cases, working families have the worst of both worlds. They have too much income to qualify for the limited housing assistance available, but too little to benefit from the favorable tax treatment given to homeowners. For too many, a job does not guarantee a family a decent place to live at an affordable cost.

Thus, it is our hope today that by holding this hearing of the Senate Banking Committee's Subcommittee on Housing and Transportation that we can learn more about the affordable housing crisis that is affecting many working families in and around the country and come up with some solutions that might help mitigate these problems.

Let me give a brief overview of the hearing before I recognize the Chairman of the Committee, Senator Sarbanes.

Today, we will hear from three panels. The first panel will consist of my colleague, Senator John Kerry, the former Chairman of this Subcommittee and one of the great advocates for housing policy in the United States and a great champion on these issues.

In our second panel, we will hear from Mr. Emmanuel Lane, a resident of Sharing and Caring Hands in Minneapolis, Minnesota. Mr. Lane participated in our hearing in Minneapolis with Senator Wellstone and he too has a story of working hard, but still not being able to find appropriate housing for his family.

Finally, on panel three, we will be hearing from: Mr. Robert J. Reid, Executive Director, National Housing Conference; Ms. Sheila Crowley, President of the National Low Income Housing Coalition; Ms. JoAnn Kane, President and Chief Executive Officer of McAuley Institute; and Mr. David Curtis, Chairman, Housing Finance Committee of the National Association of Home Builders.

Each of our witnesses has been asked to comment on the affordable housing needs of working families; the State of the Nation's housing supply for both renters and prospective low-income homebuyers; and to highlight any proposals that should be considered as part of the legislation to increase the production of affordable housing for working families.

Before we begin, I would also like to thank each of the witnesses for their written testimony, which will be shared with all Members of the Committee, and ask that our witnesses try to adhere to a 5-minute limit.

Let me recognize the Chairman of the Banking Committee, Senator Sarbanes.

Mr. Chairman.

STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you very much, Chairman Reed. I apologize at the outset to the witnesses because I am, regrettably, not going to be able to stay. But, obviously, I will read the testimony with great care.

Mr. Chairman, I wanted to come, at the outset at least, to thank you for holding this hearing on the very important subject of affordable housing production and working families.

This is but the latest in a series of hearings on the issues of housing and transportation that you have held as Chairman of this Subcommittee since taking over in the middle of last year. I very much appreciate the obvious effort and thoughtfulness that you and your staff have put into this endeavor.

Today's hearing is a logical outgrowth of the full Committee hearings we have held since late last year on the issue of the HUD budget and housing needs. Throughout these hearings, we have heard again and again there is a shortage of decent, affordable housing in stable neighborhoods.

The National Housing Conference, whose Executive Director, Robert Reid, and the National Low Income Housing Coalition, whose President, Sheila Crowley, will both be testifying later, have done studies highlighting this problem specifically among working families. And we see that for many Americans, the problems are getting worse.

Obviously, there are a number of steps that must be taken to address this problem. I am working on legislation to help make vouchers more effective. Many families today cannot make use of their vouchers and turn them back in. This is administratively inefficient and highly discouraging and I am hopeful that we can put together a Voucher Improvement Act which will help to deal with this problem.

But vouchers alone are not enough. In many markets across the country, we need more affordable housing, particularly for extremely low-income families, many of whom constitute the working poor. Indeed, affordable housing is an absolute necessity if we are going to move people not just off welfare and into work, but also out of poverty.

In this regard, I want to especially recognize the work of our colleague, Senator John Kerry, who, as you pointed out, was on this Subcommittee for a number of years. Senator Kerry has authored the National Affordable Housing Trust Fund Act, legislation that is designed to get us back into the business of building affordable housing in a significant way. And as a Member of the Finance Committee, Senator Kerry has continued his efforts by trying to link welfare to housing more closely, an effort which many of us support.

So, John, I want to thank you for the initiatives you are taking.

Finally, Mr. Chairman, I also want to say a word about JoAnn Kane, who is on your last panel, who has served as President and Chief Executive Officer of the McAuley Institute since 1984.

The Institute is located in my State, in Montgomery County, and JoAnn Kane brings 28 years of field experience and an extensive knowledge of housing and neighborhood development lending to her position.

Under her direction, the McAuley Institute provides technical information and training, lending and financial services to over 100 nonprofit organizations and resident lenders annually. And during her 17-year tenure, McAuley has provided services to nearly 2,000 nonprofit housing development projects across the country. It is a record to be proud of and I am delighted that she will be on your concluding panel here this afternoon.

Thank you very much.

Senator REED. Thank you very much, Chairman Sarbanes.

Now, I would like to recognize our colleague from Massachusetts, Senator John Kerry. Senator Kerry has been a distinguished public servant and patriot, beginning as a naval officer in Vietnam and continuing as a State officeholder in Massachusetts. And now, as a Senator from Massachusetts, he brings a special passion and expertise to the area of housing policy. We welcome his testimony.

Senator Kerry.

STATEMENT OF JOHN F. KERRY
A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Senator KERRY. Mr. Chairman, thank you very much for the privilege of testifying before the Subcommittee, and thank you for holding this hearing. I am thrilled that you are the Chairman of this Subcommittee now because I know of your own deep commitment and understanding of the issue, and I think we could not be in stronger hands in trying to move the agenda forward.

I thank the Chairman, Senator Sarbanes, and Jonathan Miller, for carrying me for all those years.

I would just ask consent that my full text be placed in the record.

Senator REED. Without objection.

Senator KERRY. Mr. Chairman, there is just no way to overstate the seriousness of this issue now and the way in which it is growing in its importance to the country.

I know there is an attitude among some of our colleagues that they say, jeez, housing—most people kind of sweat it out. People have to travel. That is the American way. You get on the subway. You do what you do. You struggle, and families work their way upward. It is sort of the upwardly mobile route.

There are a lot of people who have a completely laissez faire market-oriented approach to this, that the market's going to take care of it, you will earn more income, and one day, you will buy a nice house. And therefore, they say the Government really has no role to play.

I think September 11 reminded us, did not teach us, but it reminded us of an important concept. Which is that there are some things that only the Government can do.

That is just the nature of the beast.

It happens that affordable, low-income housing is one of those. The reason is the market cannot take care of it. It just doesn't take care of it because all of the market instincts move away from building something that people cannot afford to buy. That is just a law of the marketplace. That is why years ago, we designed subsidy, low-interest loan, no-interest loan, grants, various programs to make up for the lack of response from the market.

As far back as Roosevelt, the country decided that shelter, that affordable housing was a national priority. Why? Not because of some do-gooder, moral interventionist attitude, but because it makes sense for all of us.

Kids who do not have housing are kids who are on their way to delinquency, to learning disorders, to chronic unemployment. They are going to be the problem children of a community. And if our communities want to build the fabric of family values, about which we hear so many speeches, you have to understand the connection of housing to education, to nutrition, to health care, to stability, to a whole series of values that we think are important in the United States of America.

The fact is that we are going backward in this country today. The U.S. Government for the last 15 years or so has pulled back from an involvement in the creation of housing. And we have learned lessons. People who think that housing means those terrible old cinder block, brick warehouse, sky-rise, without a tree around them, boxes that just housed human beings.

We have learned—that is not what people are talking about today. We have learned the concept of ownership. We have learned the concept of mixed housing. We have learned how to blend environments, how to deal with jobs, and all the kinds of other ingredients that make it work.

But the fact is that we have about five million American households now living in what we consider to be worst-case housing needs. Since 1990, the number of families in the worst-case have increased by 12 percent. That is 600,000 more American families that cannot afford a decent place to live.

We have actually declined in the available stock of affordable housing because we went down by about 900,000 units. And from 1996 to 1998, there was a 19 percent decline in the number of affordable housing units. So that is a dramatic reduction of 1.3 million affordable housing units.

As everybody knows, there is an increased pressure in communities all across the country for housing. Teachers, janitors, social workers, police officers, and other full-time workers are having enormous trouble finding an affordable, even modest two-bedroom apartment in any major city across the Nation.

Increasingly, people cannot live where they work, or near where they work, even. You have people spending an hour and a half, 2 hours commuting, both ways, and they get home and they are very frazzled and they are supposed to take care of the family and take care of other kinds of things, including civic responsibility.

We now know that a lot of current affordable housing providers are deciding to opt-out of Section 8, and that is going to further limit affordable housing. We have more than 40,000 to 60,000 units of existing Section 8 housing that could be converted to market-rate apartments or condos. Within the city of Boston, Mr. Chairman, more than 16,000 of the 22,000 Section 8 units are eligible for conversion.

We have decreased Federal spending on critical housing programs such as the Public Housing Capital Fund, the Elderly Housing, the Public Housing Drug Elimination Grants, and so forth. If we had reserved just 1 year's tax cut for the wealthiest 1 percent of Americans, we could have taken care of every single public housing capital backlog that we face today.

These are the choices.

Mr. Chairman, what I am trying to offer is an ongoing, funded, stream of revenue. Let's be honest with each other, and I will try to wrap it up quickly, we all know that we are not going to have a whole lot of money. Nobody believes we are going to kind of cut a deal on a zero-sum game. We are going to take money out of X or Y to put it into this.

We do not have enough constituency. I understand that reality. But surely, Mr. Chairman, those people who buy homes, who are currently contributing—I am talking about affordable homes, under the FHA program—who are currently contributing as we make a risk-based assessment on what the insurance cost may be, which is completely competitive with the rest of the marketplace now because Secretary Cuomo lowered the rate.

We have a $26 billion fund, according to Deloitte & Touche, which we could use to create housing. And I would ask the Members of this Committee, what better way to do housing than to have housing itself which produces the surplus, produce further housing?

I know the Ranking Member and others have asked, if these people are paying that excess, maybe they should get it back or something. Well, you have to find the revenue somewhere. They are not being gouged. It is a competitive rate. And if in their accession to the American Dream of getting a home, a fair payment happens to result on a risk-based analysis in a surplus, that surplus should go back into housing.

It is a very simple concept. And I simply ask my colleagues—if they are not going to do it from there, where are they going to do it from? How are we going to address this need so that we have less families in extreme circumstances than we do today, so kids can have stable homes, schools can have stable school districts.

Ask any teacher about the difficulties of 10 kids who are in a classroom one day and they are gone several weeks later and they are replaced by 10 more kids. And you try to bring that classroom together.

This is an education issue. It is a health care issue. It is an equity issue. It is a stability in our communities issue. It is a race issue. It is a fairness issue. We should find a way to fund it. And I hope this Committee will do that.

Thank you, Mr. Chairman.

Senator REED. Thank you very much, Senator Kerry.

Senator Allard and Senator Corzine have joined us. I wonder, Senator Kerry, do you have time for questions?

Senator KERRY. Sure. I can stay.

Senator REED. Senator Allard, do you want to give your opening statement?

Senator ALLARD. Mr. Chairman, just a brief statement.

Senator REED. Senator Allard.

COMMENTS OF SENATOR WAYNE ALLARD

Senator ALLARD. First of all, I want to thank you for holding this hearing. I appreciate the opportunity to learn more about the affordable housing issue.

Many of us realize that there is an affordable housing problem out there. I hope that in this hearing we do not focus so much on the fact that there is a problem, but on the solutions to this problem. That might vary a little bit depending on the States that we represent. The definition of affordable housing may vary a little bit depending on the community which you come from.

Now, I am particularly interested in learning how we can make it easier for the private market to provide affordable housing, how we can preserve the existing stock of affordable housing, what incentives we can provide for nonprofits, and how we can reduce the red tape that is driving up the cost of housing. I think this is a local, State, and Federal partnership.

How can we get more power to the State and local levels? Our line-up of witnesses has knowledge of many aspects of affordable housing. I am hopeful that they will be able to offer proposals to preserve and increase the supply of affordable housing throughout this great country.

Again, I would like to thank all of the witnesses for being here to testify. It is not easy to come to Washington to share your views and thoughts with us, but we do appreciate it.

Thank you, Mr. Chairman.

Senator REED. Thank you, Senator Allard.

Senator Corzine, do you have a statement?

COMMENTS OF SENATOR JON S. CORZINE

Senator CORZINE. Thank you, Mr. Chairman. I have a formal statement I would include in the record.

Senator REED. Without objection.

Senator CORZINE. I want to compliment you on having this hearing and I particularly want to compliment Senator Kerry for his views on the National Affordable Housing Trust Fund.

This is a serious issue, the shortfall of affordable housing. I think New Jersey is probably a lot like Massachusetts in the number of people who are left out of affordable housing, that decline that you talked about in affordable housing and the 12 percent increase in demand shows up readily in my State. It is also showing up in the budget of the State of New Jersey because the lack of affordable housing means that temporary housing is being financed for many homeless at as much as $2,000 a month per family in motel rooms. It is a serious problem in this transitioning of families from Welfare to Work.

I do not think we have a more silent but serious problem in this society than this particular issue. We need to get those resources that I think are being supported in part by the kind of Government programs of subsidization for people who can afford housing. We have to use those resources, I think, to make sure that those who are left out, have a chance to go. And so, I compliment Senator Kerry on the issue.

Thank you.

Senator REED. Thank you, Senator Corzine.

Let me note that there is a vote in progress now, approximately 7 or 8 minutes left to table the Lieberman Amendment. What I would suggest is perhaps one question apiece, if you want it.

Senator ALLARD. I have no questions, Mr. Chairman.

Senator REED. I have one question, and at the conclusion, we will recess briefly, we will vote, come back, and have the second panel.

First, let me commend you, John, for your eloquence and your passion on this issue, and for your leadership again. You preempted my line of questioning by talking about objections to using the FHA fund. I, frankly, as a cosponsor and a strong supporter, think it is a reasonable place to go. But might you elaborate on some arguments that it is not available for use, that the FHA fund is not available, or any other thoughts that you have on using the FHA fund.

Senator KERRY. Mr. Chairman, thank you very much.

Mr. Chairman, it is really a constructed argument. For years, guess where the money was going? Straight into the general treasury. Nobody even raised an issue about it. It wasn't until I said, wait a minute. Housing is producing a profit. Housing should produce housing. And all of a sudden, people started to find reasons why, oh, gosh, it cannot go to housing.

If it can go to the general treasury, it in effect is available for anything. What was it doing? Well, it was available for a tax cut or it was available for military spending or it was available for any other choice we made. So it is simply bogus to suggest that we do not have the ability to designate where this goes.

Second, let me say one other important thing, that I think is important. The Federal Government is making this FHA program available. This is a Federal program. We are helping people to get into homes. If by helping people to get into homes we turn a surplus and it is at a competitive market rate, and we can produce money that helps more people get into homes, how in God's name do you stand up and say, that is not rational, or an effective way to do something?

We are giving people an advantage—because they cannot get that mortgage, necessarily, cannot get the insurance, because they fall in between it.

So, we are making homeownership available, and by making homeownership available, we then go one step further and make maybe rental available and hopefully, maybe even homeownership.

It is not a question of capacity. It is a question of will power.

Senator REED. Thank you very much, Senator Kerry.

Senator Corzine, do you have a question?

Senator CORZINE. That is more than enough of a question for me.

Senator KERRY. Thank you very much.

Senator REED. Senator Kerry, thank you very much again for your leadership.

Senator KERRY. I appreciate it. Thank you, Mr. Chairman. It has been a privilege.

Senator REED. We stand in recess until approximately 3:15 p.m., as we go vote.

Thank you very much.

[Recess.]

Senator REED. Let me call the hearing back to order.

I will call the third panel now: Mr. Reid, Ms. Kane, Mr. Curtis, and Ms. Crowley. Because of the traffic congestion and everything else, Mr. Lane, our second panel, might be delayed. But if you could take your seats we will begin.

[Pause.]

Thank you for joining us. Let me introduce our panel.

Mr. Bob Reid, who has been Executive Director of the National Housing Conference since 1993, is our first witness who will testify on this panel. Mr. Reid has enjoyed a 45-year business career that has included tenures as Executive Vice President of the Gold Dome Bank in New York, Chief Executive Officer of the Home Owners Warranty Corporation, and Vice President of the Allstate Insurance Company.

Ms. JoAnn Kane has served as President and Chief Executive Officer of McAuley Institute since 1984. Under Ms. Kane's direction, McAuley provides technical information and training, lending, and financial services to over 100 nonprofit organizations and residents annually. During Ms. Kane's 17-year tenure, McAuley has provided services to nearly 2,000 nonprofit housing development projects in 48 States and the District of Columbia.

Mr. David Curtis is currently Chairman of the Housing Finance Committee of the National Association of Home Builders, Vice President of the board of directors of the Federal Home Loan Bank of Pittsburgh, Executive Vice President of Leon N. Weiner & Associates, a multifaceted real estate development firm, and President of Arbor Management, a multifamily residential management company, with a portfolio of more than 4,400 units in 52 properties throughout the Mid-Atlantic and New England States.

Ms. Sheila Crowley is the President and Chief Executive Officer of the National Low Income Housing Coalition, where she leads a membership dedicated solely to ending the affordable housing crisis in America. She joined the staff of the National Low Income Housing Coalition in December 1988, after 25 years of experience in Richmond, Virginia, in organizational leadership, direct service policy advocacy, and scholarship on homelessness and housing issues.

We look forward to the testimony of each of the witnesses, and I would ask Mr. Reid to begin.

STATEMENT OF ROBERT J. REID
EXECUTIVE DIRECTOR
NATIONAL HOUSING CONFERENCE

Mr. REID. Thank you, Mr. Chairman. Thank you for quoting extensively from some of our reports in your opening remarks.

I would like to say, over the past 4 years, we have done extensive research on the housing needs of working families across the Nation. Our first report was issued in June 2000, which documented the need of 13 million families, finding that 3 million of them were full-time working families. We updated the first research with 1999 data and published our second publication, "Paycheck to Paycheck: Working Families and the Cost of Housing in America."

That report showed that after 2 years, there were still 13 million families with critical housing needs. Notable, though, was the fact that the number of low- and moderate-income working families had grown from 3 million to 3.9 million, a 30 percent increase.

As the Chairman mentioned, Paycheck examined five occupations in 60 housing markets, the major housing markets, and we measured their income against the cost of housing. The five occupations were: Janitor, retail sales clerk, licensed practical nurse, elementary school teacher, and police officer, very representative occupations for low- and moderate-income.

I would draw your attention to the two charts which illustrate the plight of janitors and retail sales clerks in two representative cities. They illustrate the multiple of salaries needed to afford either rental or homeownership.

We have recently published the third report in the series: "Housing America's Working Families: A Further Exploration."* I would ask that the full text of this report be included in these hearings.

Senator REED. Without objection.

Mr. REID. This report documents that rising housing cost is the primary culprit affecting both renters and homeowners equally. It also substantiates the fact that critical housing needs are not just an urban problem, four out of 10 working families with critical housing needs living in the suburbs, equal to the number in urban areas. The other two out of 10 are in rural and nonmetro areas.

Housing needs are most critical in 24 of the highest hot high-cost areas—Boston, Chicago, Los Angeles, New York, and so forth. I believe the need has been well-documented and makes the case that affordable housing has to be a much higher priority in this Nation.

So what about solutions?

This past year, NHC convened a series of roundtables with local housing professionals and with community leaders in Minneapolis-St. Paul, New Orleans, Portland, and Seattle. We published an overview of these roundtables in a report called: "Four Windows: A Metropolitan Perspective on Affordable Housing Policy in America, 2001."* I would ask that this report be included in the record of these proceedings, Mr. Chairman.

Senator REED. Without objection.

Mr. REID. The report makes clear that the absence of sufficient Federal funding has fostered, by necessity, a level of creativity that, for example, has enabled or encouraged local communities to establish levies for housing, housing trust funds, tax-based sharing, and regional planning.

The demand for new affordable housing exists across a wide range of incomes and record numbers and is not being satisfied by the private market.

In all the roundtables, there prevailed a common view that we must encourage and reward local and State efforts to produce and preserve affordable housing. The challenge is to fashion the right kind of incentives that will encourage communities to do this.

The National Housing Conference recommends two actions. First, additional resources be provided for our proven tools—CDBG, HOME, Low-Income Housing Tax Credit, and so forth. Second, focus attention on State and local efforts and explore ways to make the production and preservation of affordable housing more appealing through the use of incentives.

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*Held in Committee files.

Mr. Chairman, this concludes my remarks and I would be happy to answer questions.

Senator REED. Thank you very much, Mr. Reid. Thank you not only for your testimony, but also for abiding by our informal 5 minutes. I appreciate that very much.

Ms. Kane.

STATEMENT OF JOANN KANE
PRESIDENT AND CHIEF EXECUTIVE OFFICER
McAULEY INSTITUTE

Ms. KANE. Thank you, Mr. Chairman. I want to thank you for your invitation today and to particularly thank you for your leadership on this issue. I have been in the field quite a while and it has been a long time looking for this bright spot.

The McAuley Institute is a women's housing intermediary headquartered in Silver Springs, Maryland. We provide technical assistance and financial resources for startup nonprofit housing development groups and faith-based organizations across the country.

I believe that there are two emphases needed in Federal housing policy. First, we need a large infusion of resources for housing production in order to meet the Nation's affordable housing crisis. And second, we need more housing for families who are devastated by domestic violence and for people who are homeless, for those living with HIV/AIDS and those leaving welfare.

To meet these challenges, I would offer five directions.

First, Congress should enact a National Housing Trust Fund, as Senator Kerry so eloquently described today. The resources in that trust fund must be sufficient to provide a minimum of 1.5 million units over 10 years. I believe that a trust fund would be the right choice to dedicate resources to expand our Nation's affordable housing infrastructure. Trust funds have been dependable, effective tools in the development of our national infrastructure for many decades, and it is a choice that would channel substantive benefits to the economy, family stability, and quality of life.

Second, community-based nonprofits make unique contributions to the creation of affordable housing. And as Bob noted, we need production-focused legislation to streamline the financing process to help nonprofit developers become even more productive.

In response to Senator Allard's request for information about streamlining the process, we have had some good success here in Washington, DC, making things run smoothly and we would be happy to share more on that.

At the same time, we must protect funds for existing programs that make the work of community nonprofits possible. I am talking about the HOME and CHDO technical assistance funds, the community development financial institution's fund, rural housing economic development at HUD, and USDA housing programs, all frozen or slated for cuts in the Administration's budget.

To illustrate these points, I would like to tell you about one organization that we work closely with and have invested in for 6 years. We have given them pass-through funds for technology. We have supported the staff and board on strategic planning, housing development, and now homeownership counseling.

The HUD CHDO technical assistance funding makes this kind of hands-on assistance possible with groups like S.A.F.E. in West Virginia.

S.A.F.E. began by renovating a former school building to create transitional housing for 31 domestic violence survivors and homeless women with children. The organization has grown to assist hundreds of women working to support their families. It is the county's largest housing developer and after the hospital, its largest employer.

Recently, the McDowell County Commissioner asked S.A.F.E. to provide relocation for a thousand households to be affected by an Army Corps of Engineer flood protection project. But just last week, we received a heartbreaking call from S.A.F.E.'s Director, Sharon Yates, who reported that the flood that struck her area the week before had taken 2,000 homes.

Now there is a looming deficit of 3,000 homes in this, one of the poorest counties in the country. Ironically, one of the many public and private partners S.A.F.E. has worked with has been HUD's Rural Housing and Economic Development Program, whose $25 million funding is proposed for elimination next year.

Third, we would recommend that all housing programs incorporate the collaborative community planning processes as modeled by the successful Continuum of Care programs. In your draft legislation reauthorizing the McKinney–Vento homeless programs, we strongly support your position in favor of the continuum of care process and your proposal for new funding for permanent housing for the chronically disabled and homeless families.

In my experience, decisions made in collaboration among public officials, community stakeholders, and expert nonprofit providers out perform a narrow block grant approach.

Fourth, we believe that the Congress should encourage the development of innovative combinations of housing assistance and support services. Senate 2116, the Welfare Reform and Housing Act, introduced by Senator Kerry, would authorize $50 million in demonstration of such programs for TANF recipients facing multiple employment barriers. Research by MDRC has shown significantly higher employment and earnings rates for welfare recipients receiving both housing and other support services.

Last, the Senate should act on the VAWA housing assistance provision which recently passed the House as part of the Child Abuse Prevention and Treatment Act. The Committee should also consider a bill similar to that introduced by Representative Janice Schakowsky, H.R. 3752, a measure which would authorize the production of transitional housing with appropriate services for battered women.

McDowell County is but one example, and my written statement contains additional examples of nonprofit groups using innovative partnerships. Housing reform stressing community partnerships like that of S.A.F.E.'s, along with an emphasis on a highly-targeted production program, will go a long way toward meeting the housing needs of the Nation.

Thank you.

Senator REED. Thank you for your excellent testimony.

Mr. Curtis.

STATEMENT OF DAVID W. CURTIS
CHAIRMAN, HOUSING FINANCE COMMITTEE
NATIONAL ASSOCIATION OF HOME BUILDERS
EXECUTIVE VICE PRESIDENT
LEON N. WEINER & ASSOCIATES, INC.

Mr. CURTIS. Thank you, Mr. Chairman. I am very pleased to be here representing the 205,000 member firms of the National Association of Home Builders, to discuss the affordable housing needs of working families.

The crisis in affordable housing, including housing for working families, has been well documented, addressed by you and other panel members, and is certainly well known to the Committee.

To address the crisis, NAHB believes that some solutions can be found in improvements to existing programs, but that, ultimately, new production programs are needed.

With regard to homeownership, NAHB supports the creation of a homeownership tax credit, which is included in the Administration's 2003 budget. The proposal, modeled after the Low-Income Housing Tax Credit Program, is designed to encourage construction and substantial rehabilitation of homes for sale to low- and moderate-income families in economically distressed areas.

Senators Kerry and Santorum have a legislative draft of this tax credit that will be introduced to the Senate soon, and we urge your support for that proposal.

On the multifamily side, the NAHB proposes the establishment of a new rental housing production program that would produce between 60,000 and 70,000 units annually to meet the needs of households having incomes between 60 and 100 percent of the median. These households are not eligible for housing assistance through most of the current Federal housing programs. Our program is designed to produce mixed-income housing, which has proven to provide greater financial stability and community acceptance than developments that concentrates on very low- and low-income households. The program focuses primarily on working families, although a portion of each property would be set aside, up to 25 percent, for very low- and extremely low-income households.

The financing mechanisms would be through low-interest rates available through Ginnie Mae guaranteed lower floater securities.

Interest rate subsidies or buy-downs would be used to achieve additional affordability, and a minor modification to the existing voucher program would ensure that very low- and extremely low-income households could be served.

We believe that the program could be administered by the State housing finance agencies. The program would require only a small amount of Federal Government subsidy per development and would provide for ongoing maintenance and future capital improvements by building in adequate reserves to ensure the long-term viability of each property.

Concerning existing programs, NAHB strongly supports a proposal introduced in the Senate last year requiring HUD to index FHA multifamily insurance limits each year to the annual construction cost index. Indexation will help stabilize the program and give builders and lenders confidence that it may be utilized in their communities over the long-term.

NAHB also recommends giving HUD's Secretary greater latitude to raise mortgage limits in areas where construction costs are inordinately high, up to 170 percent on a project-by-project basis.

Both indexation and adjustments upward for high-cost areas will make FHA multifamily programs more workable throughout the country, and these proposals are also supported by the National Association of Realtors.

The FHA Single-Family Mortgage Insurance Program provides Federal support for homeownership, particularly for first-time homebuyers. NAHB supports a proposal introduced by Members of this Committee to permanently extend what is referred to as the downpayment simplification process. This simplified method of maximum mortgage calculation has a proven track record which results in greater loan-to-value loans, making homeownership more attainable.

Often overlooked in housing affordability are layers of excessive regulation that dramatically increase the cost of production. NAHB supports a proposal to require Federal agencies to conduct a housing impact analysis and to promulgating new rules if it would have an economic impact of more than $100 million on housing affordability. The impact statement would have no effect on the content of the rule, but is simply designed to raise public awareness of the cumulative effect of regulations on housing affordability.

Finally, the NAHB believes it is essential that Congress modify the Low-Income Housing Tax Credit Program in order to ensure its continued viability. The program has provided a key part of the financing for nearly all of the affordable rental housing over the last decade, and in October 2000, the Internal Revenue Service issued five technical advice memoranda that threatened the ability of the program to continue to provide affordable housing.

The so-called TAMS take aggressive position aimed at reducing eligible basis which lowers the amount of the credits and the equity financing a project received.

NAHB supports legislation that would provide certainty for tax credit allocations. H.R. 3324 and its companion legislation, S. 2006, specifically identify costs that qualify as includable in basis. The legislation will ensure that quality affordable housing will be maintained and that investor and lender confidence will be restored.

That concludes my statement, which is a good thing because the red light is on.

Thank you.

[Laughter.]

Senator REED. That is not terminal.

[Laughter.]

Mr. CURTIS. Good. Thank you.

Senator REED. Ms. Crowley.

STATEMENT OF SHEILA CROWLEY
PRESIDENT
NATIONAL LOW INCOME HOUSING COALITION

Ms. CROWLEY. Thank you very much, Mr. Chairman. I am very pleased to be invited to testify today on behalf of the National Low Income Housing Coalition, and on behalf of the National Housing Trust Fund Campaign and the over 2,300 organizations and elected officials from every State who have endorsed the National Housing Trust Fund.

We had a surge of endorsements since I submitted my written testimony yesterday, and I would like to offer the most up-to-date list of endorsers of the trust fund for the record.

Senator REED. Without objection.

Ms. CROWLEY. Thank you. Also, I have a letter here from the U.S. Conference of Catholic Bishops from Cardinal McCarrick, sent to every Senator, asking for support for the trust fund.

Senator REED. Without objection.

Ms. CROWLEY. We are very grateful to you, Senator Reed, for championing the National Affordable Housing Trust Fund Act of 2001 so vigorously, and we deeply appreciate the outspoken way you have taken on this campaign.

We also are very pleased with Senator Kerry for coming today to testify on this, and we are pledged to continue to build support for S. 1248 this session and, if necessary, its successor bill in the 108th Congress.

This is one of the many hearings in both the Senate and House that have thoroughly documented the depth and breadth of the critical housing problem we face in the United States. Congress does not lack evidence that we have a serious housing problem and there is little disagreement that something needs to be done, and I think we have heard that today. The opening statement of Senator Allard certainly confirmed that.

It is our position that the most serious housing affordability problem and housing shortage is experienced by people who are extremely low income. That is, in HUD jargon, people with incomes at or below 30 percent of the area median.

Meaning is often assigned to the term, extremely low income, that somehow implies it does not include working people. And I think we need to be very clear that that is erroneous.

A full-time, minimum-wage worker earns $10,700 a year. In the District of Columbia, an extremely low-income family has income of $18,390 or less a year. These are the wages that are earned by workers in the service economy—retail clerks, day care workers, home health aides, hotel and restaurant workers, janitors, security guards, all the people whose daily labor is essential to the functioning of our economy.

In the District, 30 percent of area median income, if one works full-time, and you break that down, is $8.84 an hour. The hourly wage required to afford the fair market rent for a two-bedroom rental unit in the District is $18.13 an hour.

In all jurisdictions in the country, the difference between what low-wage earners can earn and what the rental housing market can demand is unbridgeable without Federal intervention. We need to do several things.

First, we must increase low-wage workers' purchasing power in the housing market with more housing vouchers and improvements to the housing voucher program, and we support Senator Sarbanes' forthcoming legislation.

Second, we must preserve as much as possible the existing housing that we have that is affordable to extremely low-income households, including public and subsidized housing. We support Senator

Jeffords' Preservation Matching Grant bill and we urge Senator Kerry to include preservation as an eligible activity in the trust fund bill.

Third, we need a renewed Federal commitment to building housing that is affordable for the lowest-income families. The National Housing Trust Fund Act creates a dedicated source of funds for the production and the rehabilitation of affordable housing, primarily rental housing for extremely low-income households.

In the course of discussing this bill, in nearly every Senate office and most House offices, we have found considerable interest and great support. And indeed, at this point, there are 27 cosponsors in the Senate and as of today, 176 cosponsors in the House.

We have also heard all the arguments against it. And so, I would just like to take a moment to raise these arguments and then to respond to them. One argument is that we do not need another program and many will advocate that we simply should add to existing programs.

What we need is a sharp increase in the level of housing funding that is targeted to serve the lowest-income households. And the National Housing Trust Fund is a new source of funding more than it is a new program, and it would be used to augment existing production programs that cannot or do not serve these households.

A significant infusion of funds is required that is unlikely to be forthcoming within the constraints of the current appropriations process. So the trust fund idea moves us into much broader thinking about housing funding.

The second argument, one that you raised with Senator Kerry, is that the excess FHA revenue does not exist. This is, in fact, the most frequent objection that we hear and it is only in the highly idiosyncratic language of Federal budgeters that it is possible to say that the money doesn't exist.

What they are really saying is that it is being used for other purposes and, thus, not available for this use, or that S. 1248 is not budget-neutral and calls for spending without providing offsets.

These are policy decisions that can be changed. And the latest analysis by Deloitte & Touche, which is attached to my written testimony, tells us that the FHA program will generate by 2008 $26 billion more than is required to maintain the safety and soundness of the program.

Another argument that we have just discussed as well is that any excess FHA revenues should go back to FHA-insured homeowners. Once objectors have accepted the notion that there are extra funds, this is the next issue they raise.

It is important to know that the distributive nature of the FHA single-family program was eliminated by Congress in 1990 as part of the reform needed to prevent the program's financial demise.

HUD's Secretary now has the authority to reduce premiums and, indeed, premiums were reduced significantly in the year 2000. FHA-insured homeowners are receiving an important Federal benefit and they are paying a fair price for it.

The use of the FHA revenue will harm the FHA program. That is another argument. S. 1248 protects the FHA program more than current law does, by raising the capital adequacy ratio or the level of required reserves from 2 to 3 percent. The projected $26 billion excess that would go into the National Housing Trust Fund assumes the higher ratio.

The Deloitte & Touche analysis includes other projections that are based on several other economic scenarios. And even in the worst-case scenario, the ratio remains well above 3 percent.

Another argument is that it is not appropriate to use funds from the FHA Single-Family Program to fund multifamily housing production. It is not the goal of the program.

This could be a legitimate policy argument if the funds were, indeed, sitting idle. But they are not. They are going into the Federal Treasury and funding other Federal priorities.

Then the final argument is that we cannot afford it. This is the least convincing argument of all. Of course, we can afford new investment in rental housing production if we decide it is a priority. We have made housing a national priority at several points in the past when we faced housing shortages, and we can do so again.

Not only can we afford to do this, but also more importantly, we cannot afford not to. The consequences of failing to act are serious. Good housing is fundamental to healthy human development, and housing instability has adverse effects on employment success, school achievement, health status, and family well-being.

Thank you for the opportunity to testify today.

Senator REED. Thank you very much, Ms. Crowley, for that excellent testimony.

We have been joined by Senator Carper. Do you want to make an opening statement now?

Senator CARPER. No, thank you, Mr. Chairman.

Senator REED. Let me begin the questioning.

First, let me thank you all for excellent testimony. I think you have illustrated the problem extremely well and you have pointed out some possible solutions. Also, you have refuted in great degree some of the arguments against Senator Kerry's proposal.

Bob, I was particularly moved by your charts, since my father was a janitor. That story is compelling information to me. It does sketch out a very bleak picture for working families. And as Ms. Crowley pointed out, very low income are not welfare recipients. They are working families.

I wonder, in your roundtables which you have conducted, what ideas have been advanced for dealing with this production shortfall, some that we might have discussed this afternoon and others?

Mr. REID. Well, one of the things that was pretty consistent in all of the roundtables—and incidentally, since we published this, we have had an additional one in San Diego, is the problem they had with NIMBY-ism, and they came up with—one of the solutions which was that one of the ways to combat NIMBY-ism is to have better design and better ways to do truly mixed-income housing. And this seems to be a problem in many of the high-cost areas because the 60 percent income limit certainly makes it very, very difficult for them to get any meaningful mixed income.

So, they plead for the fact that they need higher income limits, without neglecting the poor, and let me add here that this is not a zero-sum game, and nobody suggested that it was because in every case we are talking about additional resources, not reallocation of resources. But they need some more flexibility on Federal programs. There was a lot of talking about layering and being more efficient in combining various Federal and State programs.

The mixed-income issue came up time and time again, the ability to really do mixed-income housing. And again, they are talking about getting up to beyond the 60 percent. Most of them talked about up to 100 percent.

Mr. REID. Thank you. I want to raise the issue you mentioned. A lot of commentators would suggest that this is not a resources problem. It simply is more efficiently reallocating Federal resources or getting rid of some of the road blocks, zoning, et cetera. From your observations and your work, can you confirm that this is a resource problem that can be aided by smarter zoning, et cetera?

Mr. REID. Obviously, there is always room for improvement every place. And these people in these roundtables admit that many of their problems are local, zoning, outmoded codes, and things like that. But the fact remains when you look at the extent of the problem, the number of families in all of these communities, they need a tremendous increase in amount of resources. I do not care how much efficiency you bring into the system, there is only so much. Actually most of these localities in our experience are operating pretty efficiently. They just need more resources.

Senator REED. Thank you.

Ms. Kane, again, thank you for your testimony on behalf of the McAuley Institute. I also have a sense of, at least attenuated affiliation. McAuley Institute was started by the Sisters of Mercy.

Ms. KANE. That is correct. We are the national housing corporation of the Sisters of Mercy.

Senator REED. Well, they were my teachers when I was in grammar school.

Ms. KANE. Another fabulous job.

[Laughter.]

Senator REED. So, you already have me persuaded. I am convinced.

[Laughter.]

In your testimony, you talked at some point about a particularly vulnerable population. That is, those individuals who are leaving welfare and searching for housing.

Ms. KANE. Yes.

Senator REED. Could you elaborate a bit on that, your observations and the special needs that might be encountered by this population?

Ms. KANE. Well, we have been fortunate that a number of our colleagues and constituents that we have been working with have been observing those who have successfully begun to get jobs and then begin to move onto that next step in self-sufficiency.

And there are two major issues before them. One is the cost of housing and the other is health care, both of which, in combination, create an economic problem, as well as a health problem for that family. They are detailed in our written testimony, Senator. Some things that we are suggesting to include in the TANF reauthorization bill are a demonstration of housing with service models for families facing multiple work barriers and a provision to treat housing support as "nonassistance," similar to how child care is treated.

Senator REED. It is in your written testimony. We can certainly go back.

If I could bring another aspect to your testimony. You talked about research presented by Jens Ludwig about the effect of education, stable housing, and education. Is that something that you are prepared to comment on? If you are not, just indicate, because we can go right back into the testimony.

Ms. KANE. That one, I do not recall, sir.

Senator REED. All right.

Ms. KANE. On education and housing?

Senator REED. I believe so, yes.

[Pause.]

Ms. KANE. It was something in our written testimony which my fine staff was working on while I was in Chicago this morning. Our written testimony sites a study by Ludwig, of Brookings, as finding that affordable housing is as cost-effective as reducing class size from 22 to 13 in improving education levels.

Senator REED. I understand. It is a hectic pace, and not to worry.

Let me again thank you, not only for your testimony today, but also for the efforts of the McAuley Institute to reach out to many other nonprofits throughout the country and try to give them the tools and the perspective to advocate and work for better housing.

Thank you so much.

Ms. KANE. Well, we have been fortunate on those connections on health care and education, as you pointed out, Senator, to have our colleagues working in educational institutions and health care that support those nonprofits and give us that extra edge when we are working with very low-income people.

Senator REED. Thank you very much.

Mr. Curtis, again, let me thank you for your testimony. It was extremely well done. You had several proposals. Could I ask you, on that list, what do you believe from your perspective and the homebuilders perspective is the single most important thing that we can do, or the two things that we should do?

Mr. CURTIS. First of all, I would like to reiterate the importance of supply. Therefore, we think we need a new production program.

And kind of piggybacking off of what Mr. Reid said—I want to say that I also agree that there is an absolute lack of resources. It is not a matter of trying to be more efficient.

I can tell you stories about housing sponsors. One group that I know had to go to stitch together eight different funding resources to make feasible a job for 14 units.

So housing providers are very, very efficient and there is a lack of resources, a great lack of resources.

One area that is relatively well provided for is roughly the range of incomes between, I will say 40 to 45 percent and 60 percent, because that is what is serviced primarily by the Low-Income Housing Tax Credit Program.

I think what the panel would agree on is that, for the very low incomes, those people at 30 percent and below and even 40 percent and below, there is relatively almost no resources. And the same is true for somewhat higher-income families, earning between 60 and 100 percent.

Our program is designed to address both of those needs in—again picking up on what Bob talked about, getting the benefits of a mixed-income community because we believe that the families earning between 60 and 100 percent of median can be served relatively efficiently with a very shallow subsidy.

We would propose that, in order to get the benefits of a mixed-income community, we include persons and families, again, up to 25 percent of the development, through the use of vouchers, who are very low and extremely low.

So, we think that, if you are asking me for my number one choice, I think that would be it—a new production program that really makes a difference for all of those that are not served and that you spoke so eloquently about.

On the much more simple side, I think that the fixes to the multifamily insurance programs are very easy and really need to be done. There is really no basis that I can think of for having increased the limits by 25 percent last year and then keeping them static so that you have the bump and then everybody's sitting on the hot seat, wondering whether the program is going to be usable into the future.

Senator REED. Thank you very much.

I want to turn to Senator Carper, but Ms. Crowley, you emphasized, I think, when you spoke about the very low income, that is 30 percent or below of the area median income, that there is a real critical shortage there. Is that the most glaring area, the gap that you see?

Ms. CROWLEY. Yes. Technically very low income is at 50 percent of area median income, and extremely low income is at 30 percent of area median income. I think the statute defines very low income, and extremely low income is defined in regulation.

There is two very important analyses that we have offered to the Committee. One is referenced in my testimony. They are both done using the American Housing Survey 1999 data. One was done by Katherine Nelson, who is with the Office of Policy Development and Research at HUD.

Clearly, when you look at her analysis, what we see is, over the past decade, an increase in the number of rental housing units that are affordable to people at 50 percent of area median income and above, and we have seen a severe decline in the number of units that are available and affordable to people at 50 percent and below. And then when you get to below 30 percent, that is where the most acute decline is.

So that is one way of looking at the American Housing Survey data. Then the other is one that the National Low Income Housing Coalition has done which we have submitted in previous testimony. It looks at the number of people, number of households within the given income range. Then the number of units that are, in fact, available and affordable for them. And in the under 30 percent of area median income, that is where the number of households far outstrips the number of actual physical units of housing. And as you go up the income scale, in fact, you get to where there are more units than there are people.

Now does that mean that there is some sort of surplus out there? No. People are living in these units and in some cases, people are paying far more than what is affordable for them to be able to—far more than the standard of affordability of 30 percent.

Our thesis is that if you produce more housing that is affordable to the extremely low-income people, then in fact, you free up a lot of housing in the rest of the market and you would have a lot more housing available for other higher-income people.

Senator REED. Thank you very much.

Senator Carper.

COMMENTS OF SENATOR THOMAS R. CARPER

Senator CARPER. Thanks, Senator Reed.

Boy, one of you looks awfully familiar. David Curtis. I think I have seen you before. How are you?

Mr. CURTIS. Doing well, Senator. How are you?

Senator CARPER. Good.

Let me ask the other panelists—is he doing okay?

[Laughter.]

He is no stranger around here. He testifies on a pretty regular basis. Thank you for coming.

Tip O'Neill used to say that all politics is local. Let me just start off with a local question involving the HOPE VI project over in Wilmington. Can you give me just an update? How are we doing there?

Mr. CURTIS. Yes. The demolition is done and we are scheduled to begin producing the new Village of East Lake in July. So it is good news on that front. It has been long in coming, but it is a very worthwhile project. We appreciate your asking.

Senator CARPER. You bet. I have not been fortunate enough to hear all of your testimonies. But I would like to ask—sometimes when I arrive late at a hearing—this is my fifth hearing today—sometimes when I miss the testimony, I ask the witnesses, where do you agree? Where do you agree on your advice to us?

Let me just start with Ms. Crowley over here. Where did you all agree that you can give us some common advice?

Ms. CROWLEY. There is universal agreement on two things. One is that we have a severe housing affordability problem. Two is that what we need is new Federal resources to build more housing, a new Federal production program. Nobody disagrees on that.

Senator CARPER. Did you agree on the form that the resources should take? Appropriations? Tax credit? Did you agree on that?

Ms. CROWLEY. No.

Senator CARPER. Okay.

Ms. CROWLEY. Some of us are calling for a National Housing Trust Fund. Other people would call for other ways.

Senator CARPER. Is that the Kerry approach?

Ms. CROWLEY. Yes. And then, other people would call for funding within existing programs.

Our feeling is that the trust fund is the approach that is going to generate the most resources in the current environment, and that more resources are needed. So, we would advocate for that.

Senator CARPER. Just refresh my memory. What is the source of the funds for the trust fund?

Ms. CROWLEY. The source of the funds for the trust fund at this point are excess revenue produced by the FHA's Single-Family Insurance Program. And then much smaller amounts for the Ginnie Mae program.

The FHA program is one that has been earning money far in excess of what is required to secure the safety and soundness of the program for several years. That money at this point has been absorbed into the Federal Treasury and is supporting other Federal priorities. Our argument is that these are Federal housing dollars that are being produced by a Federal housing program and could be redirected into other Federal housing priorities.

Senator CARPER. But when you take those different revenues that are now going into the Treasury and you pull them into a housing trust fund, any idea how much money that adds up to on an annual basis?

Ms. CROWLEY. The latest projections from Deloitte & Touche, and the Executive Summary of the Deloitte & Touche review is attached to my written testimony, but the latest projections from Deloitte & Touche are that between now and 2008, there would be $26 billion in excess of what is required to maintain the program safely at the 3 percent capital adequacy ratio, which is what Senator Kerry's bill calls for. Current law is 2 percent. So that would make the program even more secure than it is under his bill and we would still have in excess of $2 billion.

Senator CARPER. I do not know, Mr. Chairman, do we have to provide an offset? Would OMB or CBO come to us and look for an offset for that money?

Senator REED. I would not be surprised, given the way OMB operates. They are looking for an offset.

Senator CARPER. Okay. Good. Thank you very much.

David, you were asked a question I was going to ask. The Chairman said, of all the things you were recommending, what would be the most important? And you indicated what that might be. Would you share with me maybe another idea or two that you think are especially meritorious from the ones that you presented?

Mr. CURTIS. Sure. I will start with another simple idea. And that is, the simplification of the downpayment calculation for the FHA single-family program. This was a pilot 3 years ago. I think it started in Alaska and Hawaii and it has been national for the last 3 years. It sunsets December 31, 2002. Very noncontroversial, I think. All we need to do is to extend it permanently. Easy for me to say, right?

Then the other thing that I spoke on, that it may not be exactly the purview of this Committee, relates to the Low-Income Housing Tax Credit Program, and these technical advice memoranda that have come out from the IRS. They really are threatening the ability of the program to function productively, because what is happening is that the IRS is seeking to shrink the basis that is eligible for the tax credit.

This oftentimes forces those projects into a situation where they are infeasible. And once again, there is legislation in the House and a companion bill in the Senate that seeks to simply clarify on a no-nonsense basis what is eligible to go into the tax credit basis and what is not, so that you do not have to hire an army of accountants and tax advisers to try to figure out—for example, as I went through, whether the roof is part of the basis or not.

Senator CARPER. Senator Reed likes to hire armies. I like to hire navies.

Senator REED. Navy pilots.

[Laughter.]

Senator CARPER. What role does the Federal Home Loan Banks have in this broader issue?

Mr. CURTIS. Well, the Federal Home Loan Bank System has been involved in something called mortgage partnership finance, which is an alternative to single-family mortgage financing through the other GSE's that we think provides a synergy by connecting the traditional lender, the individual member bank with their customers, and therefore providing more efficiency and hopefully, lower-cost loans.

The system is also looking to see whether there is something that can be done in the construction lending area. The Pittsburgh Bank has been a leader in starting a program called Banking On Business, through which we provide low-interest, even forgivable, loans to promote new business enterprises in economically-distressed areas.

So there is a lot that the Federal Home Loan Bank System can do. And there is no shortage of good ideas on this panel, in answer to your earlier question. As Sheila said, the agreement is that we have a drastic shortage. We have a housing affordability crisis. We need more resources. We need it from everybody, including the Federal Home Loan Bank System. There are lots of good ideas. We need to sort through those that we need to pick and hopefully, rely on the help of people like you to help us get some funding.

Senator CARPER. Good.

So, Ms. Kane, you were in Chicago today, did you say?

Ms. KANE. Yes.

Senator CARPER. Getting around. Did you see my wife there? That is where she is today.

Ms. KANE. There were a lot of us moving.

[Laughter.]

Senator CARPER. I missed your testimony. I apologize for that. But the question that I asked earlier of the other panelists would simply be extended to you, in terms of where you saw consensus, where you saw agreement among the witnesses, where you find it.

Ms. KANE. Well, I heartily agree with what Sheila was saying for McAuley Institute's perspective, but I think for everyone, that we agree that production is hugely necessary.

I would say an area that I would pick up that Bob and I would look at as well as that there is an important role for nonprofits in the delivery of that production system.

So, I wouldn't say that perhaps that is full consensus, but——

Senator CARPER. You say an important role?

Ms. KANE. I believe so, yes.

Senator CARPER. All right.

Ms. KANE. Where we see an ability, there is the ongoing issue of affordability and the attachment to resources. The way that you can continue to work to lower the cost of that housing, such as some of the groups that we are working with in the border area, where they are using innovative building techniques and ways to make it more affordable.

They still need the resources to do it, but the nonprofit organizations continue to look at innovative ways of both packaging and providing extra subsidies out of that platform.

Senator CARPER. Good.

Mr. Reid, where are you from?

Mr. REID. Well, I live here, but I am from Missouri, originally.

Senator CARPER. Okay.

Mr. REID. But I am easy to show.

[Laughter.]

One of the things that we think, being realistic, is that the Congress or no Administration in the foreseeable future is going to write a big blank check in the amount of funds that we really do need to get this job done.

When you really put the numbers to it and look at it, it is so astounding that you think you are trying to do a Marshall Plan, which, in fact, we may be needing, as a matter of fact.

One of the things we need to look at is how we can better leverage the resources that are there. We need a lot more resources. We are all in agreement on that. There is no substitute for that.

One of the areas that we have been looking at and working with people more on is employer-assisted housing. The more that we can get the major employers into the game and understanding that it is in their interest, that it is also a problem for them when they cannot get employees that are reasonably close to their place of employment and do not have a decent place to live. So employer-assisted housing I think is a very important issue that you can look at here.

When it comes to incentives, I mentioned that a lot of the barriers to building the housing, once you have the resources, they are local. These are not Federally-mandated. These are local issues. As you said, all politics is local. And zoning, NIMBY-ism, all of those things. But the Federal Government does have the ability to be a tremendous incentivizer to help those local communities, "do the right thing."

So, I think that is another important area. And the other thing is that we have supported Congressman Frank's first shot, you might say, across the bow, saying we need a $15 billion increase in the HUD budget, knowing that he is not going to get it. But on the other hand, I think what he is trying to do is to make a statement that we cannot keep operating on a marginal basis—"a billion here, a billion there," to quote the late Senator Dirksen. But, unfortunately, it is not going to work any more with a billion. It is going to be 15 here, 20 here, 40 here, 50 there.

Senator CARPER. Good. Well, that is very helpful.

Thank you, Mr. Chairman.

Mr. CURTIS. May I make one other comment?

Senator CARPER. You sure can.

Mr. CURTIS. Okay. Thank you. Senator, you have had me changing hats so often, that I just want to follow up on one more thing, putting my Federal home loan——

Senator CARPER. Who is the Vice Chairman now of the Pittsburgh Home Loan Bank Board?

Mr. CURTIS. That is me.

Senator CARPER. That would be you. Okay.

Mr. CURTIS. Right.

Senator CARPER. He is going through all the chairs.

Mr. CURTIS. Senator Reed was kind enough to identify that earlier. And when you asked me the question, how can the Federal Home Loan Bank System be involved, my mind in this panel is focused on new products.

But I would be remiss, my friends back at the bank would be disappointed with me if I did not just highlight that last year, the Federal Home Loan Bank System as a whole celebrated a milestone of having given a billion dollars to affordable housing in this country, all communities, urban, rural, throughout the entire 50 United States and some other possessions, I think. And so that has been a tremendous boon to those of us who try to provide affordable housing in this country.

Senator CARPER. Well, some of that money, some of that billion dollars has even found its way to Delaware. And for that, we are very, very grateful. Grateful for your stewardship, for your willingness to serve as the Chairman, and now the Vice Chairman of our regional Home Loan Bank Board.

Mr. Chairman, thank you. And to our witnesses, thank you.

Senator REED. Thank you very much, Senator Carper.

I would just, if I may, take one quick round. I want to ask, Ms. Crowley, we have talked about what we have to do. But it might be helpful to briefly give your opinion of how we got here. What are the forces that have driven us to this position?

If others want to elaborate on that, I would be very pleased to hear it. Also, give each and every one an opportunity to express that one thought that, on the way home, you will say, boy, I wish I had said that. I was thinking about it, but I wish I said that.

We have heard the testimony. It has been excellent testimony. So if you think about the one or two things that has not been said and should be said on this topic, you will have your opportunity.

But Ms. Crowley, why don't you begin and give us an idea of, from your perspective, how did we get here in terms of this housing crisis?

Ms. CROWLEY. Thank you, Mr. Chairman.

I would like to refer back to Senator Kerry's comment about the nature of the market and where the market plays and who the market attends to, and that there is always going to be a role as— there has been a role for many years, for Government intervention in market failure for housing for extremely low-income people.

I think that it is not a stretch to say that, if you look at the trajectory of the Federal housing production programs and the investment by the Federal Government in housing and how that declined precipitously in the late 1970's and the early 1980's, that there is some culpability there.

I recently had the good fortune of meeting Secretary Carla Hills, who was HUD's Secretary during the Ford Administration. And it was Under Secretary Hills' tenure that we had our peak investment in Federal housing production for extremely low-income people at 500,000 units that year. That far exceeds anything that we have even gotten close to now.

So, I think that at least one significant factor has to be the sizable Federal disinvestment in housing and that we need to return to the Federal Government taking that responsibility.

Senator REED. Thank you very much.

Anything that, Mr. Curtis, you would like to add, I will go down the panel. But also that final thought that you wish you had said. Here is your chance.

Mr. CURTIS. I would echo what Sheila said. I know that, I do not have it in front of me, but a survey of Members of Congress some 4 or 5 or 6 years ago, graphically showed why we are in this situation. It had 30 items, issues, listed in area of importance. And housing was 29th.

When I was growing up, it was food, clothing, and shelter. Somehow, another 26 items got to be more important than the shelter part, and we need to correct that.

As far as things that I have forgotten to say, I think the most important thing is to thank you, as my compatriots have, for holding this hearing and allowing us the opportunity to come and speak on what is a very important issue and problem.

Senator REED. Thank you very much.

Ms. Kane, any final thoughts?

Ms. KANE. I must also agree. The devastating cuts to the HUD budget have definitely contributed to it. But as a result of that, I think there is also some systemic issues that relate to the complexity now.

In response to that, we have fragmented the system in hundreds of ways. You see that in our testimony. Each of us goes to certain pieces, and as much as we want to look at an umbrella of it, this issue has been sliced so thin, that a lot of our best thinking and activity is spent in repatching it together.

I think that is one problem now that exacerbates the deep budget cuts and the abdication of the Federal position. And anything that we can do that, once we look at resources, it is also a simple approach. We are talking about housing as a right.

The fact that, again, we divide up our communities into some who need more than others—for instance, when we look at those who need a great deal of care and how much of some of the problems of duly diagnosed, who come from the fact that we have totally eliminated care for the mentally ill in a substantive and meaningful fashion.

So, I would like to weave together again the part that housing really builds our communities and if we can make it simple and we can put the right dollars there, we will be successful.

Senator REED. Thank you very much.

Mr. Reid.

Mr. REID. I always go back, because I am older than everybody else on this panel, to a statement that Franklin Roosevelt made in, I think it was his second inaugural address, where he said, "one third of this country is ill-fed, ill-clothed, ill-housed."

Interesting, he said housed.

Now, we are down to one-seventh. I guess my question is, as the richest country in the world, in the history of the world, are we satisfied? Are we going to live with one-seventh and declare victory?

Senator REED. I hope the answer to that is no. And because of your efforts, we are at least moving forward in the right direction.

I thank you all for your testimony. It was excellent.

Our other witness, Mr. Lane, has been apparently, unavoidably delayed because of the confusion and the traffic around the Capitol today with the police ceremony.

Without objection—and I see none—his statement will be made part of the record.

Again, I thank you all and this hearing is adjourned.

[Whereupon, at 4:14 p.m., the hearing was adjourned.]

[Prepared statements and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR JACK REED

One out of every seven American families spends more than half of their total income on housing, or lives in a severely inadequate unit. Although the number of families with critical housing needs held more or less steady between 1997 and 1999, the number of working families with critical housing needs grew from 3 million to 3.9 million. About 80 percent of these 3.9 million families paid more than half of their income for housing. The other 20 percent lived in severely inadequate housing.

The Center for Housing Policy has found that when it comes to rental housing, a janitor can only rent a one-bedroom apartment on 30 percent of his income in six out of 60 metropolitan areas, while retail salespeople can afford a one-bedroom apartment in only three. For two-bedroom apartments, the situation is even worse. The same problem exists for teachers, police officers, and licensed practical nurses in too many high-cost metropolitan areas.

In a recent article in *The Washington Post* reporter Peter Whoriskey pointed out that the rapid escalation of housing prices in the Washington area has largely been caused by a huge increase in employment opportunities without a similar increase in the number of new dwellings. For example, the number of jobs in Fairfax County during the 1990's increased three times as fast as the supply of homes—roughly 166,000 new jobs compared with 56,000 new units of housing—according to county and State statistics.

Simply put, in too many places across America there aren't enough homes for the number of families who need them.

In preparing for this hearing, we heard about a family that has been living in a Fairfax County homeless shelter. The family has a mom and dad, and two children, a boy and girl. The mom has worked for the Department of Veteran's Affairs for 9 years and makes over twice the minimum wage. The dad held a seasonal job with Fairfax County until the job ended. They were living in a townhouse in Alexandria, Virginia, that cost $950/month until the dad lost his job. He now has found work at a local military installation as a chef and the family is trying to find a new home. However, because of the age of their children, they are being told that in Virginia this means that they have to rent a three-bedroom apartment. This family is playing by the rules but they still haven't been able to find housing and have been looking since early January.

However, critical housing needs are not just concentrated in urban areas. Only 1.6 million of those with critical housing needs live in central cities. Another 1.5 million live in the suburbs and about 660,000 families live in nonmetropolitan areas.

In many cases, working families have the worst of both worlds. They have too much income to qualify for the limited housing assistance available, but too little to benefit from the favorable tax treatment given to homeowners. For too many, a job does not guarantee a family a decent place to live at an affordable cost.

Thus, it is our hope today that by holding this hearing of the Senate Banking Committee's Subcommittee on Housing and Transportation, we can learn more about the affordable housing crisis that is affecting working families around the country and come up with some solutions that might help mitigate the problem.

Each of our witnesses has been asked to comment on affordable housing needs of working families; the state of the Nation's housing supply for both renters and prospective low-income homebuyers; and to highlight any proposals that should be considered as part of legislation to increase the production of affordable housing for working families.

I want to thank all of our witnesses for testifying today. We appreciate the time and effort you have taken.

It is apparent from today's testimony that Congress and the President must make a significant and sustained commitment to creating more affordable housing for hard-working families.

As the new Chair of the Housing and Transportation Subcommittee, I look forward to working on achieving this critical objective, to create more affordable housing for working families in the United States. No one should have to live without a roof over their head in this country. A safe, decent, and stable home should not just be the American Dream, it should be the American commitment.

PREPARED STATEMENT OF SENATOR JON S. CORZINE

Mr. Chairman, I want to thank you for holding this hearing on the affordable housing crisis impacting our Nation's low- and middle-income working families. The theme of this hearing bridges the issues and concerns the Subcommittee has addressed in recent hearings on homelessness, the Section 8 program, and the housing needs of families transitioning off of welfare. I strongly believe that without an increase in affordable housing production, we will fail to resolve these pressing issues.

As Senator Kerry mentioned in his testimony, increasing the production of affordable housing is one of the most critical needs facing working families in our country. I am an original cosponsor of his legislation to create a National Affordable Housing Trust Fund, legislation that should be at the top of our housing agenda.

Mr. Chairman, in 1999, approximately one out of seven American families spent more than half their income on housing. Housing cost increases in our country, and particularly in my State of New Jersey, are far outpacing wage increases. In New Jersey, an individual would have to earn $17.87 an hour—roughly $40,000 a year—in order to earn enough to afford the Fair Market Rent for a two-bedroom dwelling. This is the equivalent of three minimum wage salaries.

There lack of affordable housing in New Jersey is so severe that the State finds itself paying as much as $2,000 a month to temporarily house families transitioning from Welfare to Work. As population growth continues to outpace housing production and vacancy rates decline, this shortage will only worsen.

Clearly, something must be done immediately to address the housing shortage.

Federal housing assistance programs are currently operating at a maximum. In New Jersey, families wait up to 3 years to receive a Section 8 voucher. Even when they receive that voucher many are unable to find housing.

Despite the fact that we have several programs that invest resources in new housing production and housing rehabilitation, including Section 202 Elderly Housing, the HOME program, and Hope VI, funding for housing production has stagnated and actually decreased over the last 20 years.

We must find ways to provide new funding sources to finance the construction and rehabilitation of affordable housing for our Nation's working families. The National Affordable Housing Trust Fund represents a workable solution that would finance the construction of 1.5 million homes for low-income families by 2010 through FHA mortgage insurance reserves.

Mr. Chairman, the production of affordable housing is critical to the well-being of our Nation's working families and crucial to residents of my State, particularly those trying to achieve economic self-sufficiency. If we expect to end homelessness, improve the Section 8 program, and help families' transition from Welfare to Work, we must address the affordable housing crisis now.

The needs are real, and they need real solutions—not more lip service about "compassion." I look forward to working with you toward that end.

PREPARED STATEMENT OF JOHN F. KERRY

A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

MAY 15, 2002

Mr. Chairman, I want to take this opportunity to thank you for holding this important hearing on affordable housing and Federal housing policy. You have been a leader in the Senate on housing issues, and I look forward to working with you on this critical issue. I very much appreciate the opportunity to discuss the National Affordable Housing Trust Fund Act of 2001 that I introduced last year. I look forward to working with you, Chairman Sarbanes, and others to enact this legislation during the 107th Congress.

Today, our Nation is facing an affordable housing crisis. For thousands upon thousands of low-income families with children, the disabled, and the elderly privately-owned affordable housing is simply out of reach. Recent changes in the housing market have further limited the availability of affordable housing across the country, while the growth in our economy in the last decade has dramatically increased the cost of the housing that remains.

The Department of Housing and Urban Development (HUD) estimates that more than five million American households have what is considered worst-case housing needs. Since 1990, the number of families who have worst-case housing needs has increased by 12 percent—that is 600,000 more American families that cannot afford a decent and safe place to live.

At the same time, there has been a tremendous decline in the available stock of affordable housing. Between 1993 and 1995, there was a decline of 900,000 units of affordable housing available to very low-income families. From 1996 to 1998, there was a 19 percent decline in the number of affordable housing units. This amounted to a dramatic reduction of 1.3 million affordable housing units available to low-income Americans.

The lack of available affordable housing has also increased the cost of existing housing. The cost of affordable housing has increased above the rate of inflation for the fourth consecutive year in 2000. On average, a person needs to earn more than $11 per hour just to afford the median rent on a two-bedroom apartment in the United States. There is not one metropolitan area in the country where a minimum-wage earner can afford to pay the rent for a two-bedroom apartment. Just to afford a two-bedroom apartment in Boston, you must earn at least $35,000 a year. Teachers, janitors, social workers, police officers, and other full-time workers are having trouble affording even modest two-bedroom apartments in major cities across the Nation.

This problem is only getting worse. Many current affordable-housing providers are deciding to opt-out of their Section 8 contracts or are prepaying their HUD-insured mortgages. These decisions have and will further limit the availability of affordable housing across the country. For example, over the next 5 years, the Commonwealth of Massachusetts could see a dramatic reduction of available affordable housing units as Section 8 contracts expire. More than 40,000 units of the existing 60,000 Section 8 housing units could potentially be converted to market-rate apartments or condominiums. Within the city of Boston, more than 16,000 of the 22,000 Section 8 units are eligible for a conversion.

Despite the fact that more families are unable to afford housing, we have decreased Federal spending on critical housing programs such as the Public Housing Capital Fund, Elderly Housing, and Public Housing Drug Elimination Grants since fiscal year 1995. The return to deficit spending let alone the disappearance of what were once budget surpluses makes it almost impossible for any significant increases in the HUD's budget over the next decade. So, we are left with a question of choices. HUD's budget for fiscal year 2002 is only $30 billion. Had we reserved 1 year's tax cut for the wealthiest 1 percent of Americans we could have taken care of all the public housing capital backlog that we face today. The question is, what do we do today to face—and to finance—this mounting challenge?

We know we can no longer ignore the lack of affordable housing and the impact it is having on families and children around the country. I believe it is time for our Nation to take a new path—one that ensures that all Americans, especially our poorest children, have the opportunity to live in decent and safe housing.

And the good news is that it is within our means to take those steps today.

I wrote legislation establishing a National Affordable Housing Trust Fund to produce 1.5 million units of affordable housing over the next 10 years using excess revenues from the Federal Housing Administration (FHA) and the Government National Mortgage Association (GNMA). The goal of my legislation is to create long-term, affordable, mixed-income developments in areas with the greatest opportunities for low income families. Seventy-five percent of the trust fund assistance will be given out, based on need, through matching grants to States. This will help ensure that new rental units are built for those who need assistance most: Extremely low-income families, including working families. A portion of the frust fund will also be used to promote homeownership for low-income Americans.

The National Affordable Housing Trust Fund bill is cosponsored by a bipartisan group of 26 Senators. Similar legislation has been introduced in the House of Representatives and currently has 174 cosponsors, including 20 Republicans. The trust fund has been endorsed by more than 2,200 community organizations around the United States in an effort led by the Low Income Housing Coalition.

Funding for the trust fund would be drawn from excess revenue generated by the FHA and the GNMA beyond the amounts necessary to ensure their safety and soundness. These Federal housing programs generate billions of dollars in excess income, which currently go to the General Treasury. It is time to stop taking housing money away from Federal housing programs and to start putting in new money to produce affordable housing. According to current projections, approximately $26 billion will be available for the trust fund between now and 2008.

Because of the positive effect that the affordable housing trust fund would have on America's children, my legislation was included in the Act to Leave No Child Behind, a comprehensive proposal by the Children's Defense Fund to assist in the nurturing of our Nation's children.

We also must do everything we can to preserve the existing affordable housing units from opt-outs and prepayments so housing remains available for low-income families, the disabled, and the elderly. That is why I have worked with Senator Jim Jeffords to introduce the Affordable Housing Preservation Act, which will provide Federal matching grants to States that provide non-Federal funds for the preservation of affordable housing. The bill allows flexibility in determining how to achieve the goal of preservation, within guidelines that promote long-term solutions built upon cooperation among State, local, nonprofit, and private-sector participants. This will help provide some much needed long-term stability for affordable housing in our country.

I support a proposal by Chairman Sarbanes to develop thrifty vouchers—these are vouchers that are designed to provide rental assistance to extremely low-income families in units that separately receive a capital subsidy. For example, if 25 units of a 100-unit building were built using funds from the National Affordable Housing Trust Fund so that there is no debt service on those units, a Public Housing Authority could allocate 25 project-based thrifty vouchers to that building so they can serve the extremely low-income residents. The vouchers are "thrifty" because they pay only up to 75 percent of the payment standard since they do not have to support debt service payments on a mortgage. Until the trust fund passes, the thrifty vouchers can be used with HOME or CDBG funds.

We need to bring housing resources back up to where they belong and begin again the production of affordable housing in the United States. Everyone here knows that decent housing, along with neighborhood and living environment, play enormous roles in shaping young lives. Federal housing assistance over the past generation, has benefited millions of low-income children across the Nation and has helped in developing stable home environments. However, recent changes in the housing market, along with the potential decline in Federally-subsidized housing units in the near future, clearly show that we need to take additional steps to both produce and maintain affordable housing units. Otherwise, many more children and their families will live in substandard housing or become homeless. These children are less likely to do well in school and less likely to be productive citizens. They deserve our best efforts and require our help.

Mr. Chairman, thank you for this opportunity to testify.

PREPARED STATEMENT OF ROBERT J. REID

EXECUTIVE DIRECTOR, NATIONAL HOUSING CONFERENCE

MAY 15, 2002

Mr. Chairman and Members of the Subcommittee on Housing and Transportation, I want to thank you for the opportunity to appear before you today on the challenge of expanding the supply of affordable housing in this Nation. My name is Bob Reid. I am the Executive Director of the National Housing Conference (NHC) and its research subsidiary the Center for Housing Policy. NHC was founded in 1931 and is the Nation's oldest and most broadly-based nonpartisan advocate of affordable housing. Its member corporations and organizations represent all elements of those who produce, finance, and preserve affordable housing.

One Out of Every Seven American Families has a Critical Housing Need

Over the last 4 years, the Center for Housing Policy has conducted extensive research on the housing needs of working families across the Nation. Our first report, *Housing America's Working Families,* which was published in June 2000, and based on 1997 American Housing Survey (AHS) data, found that over 13 million families had a critical housing need—either they spent more than 50 percent of their income on housing or they lived in a seriously substandard unit. The most disturbing discovery in that report was that despite unprecedented economic prosperity, about 3 million households were working families with critical housing needs. These families earned between $10,700 a year (the equivalent of a full-time job at minimum wage) and 120 percent of the area median income.

We updated *Housing America's Working Families** in July 2001 and published *Paycheck to Paycheck: Working Families and the Cost of Housing in America.** That report used 1999 AHS data and found that one out of every seven American families (13 million) still had a critical housing need. Notable in the research contained in that report, however, was the fact that low- and moderate-income families made up 28.5 percent of the total number of working families with critical housing needs, compared to 23 percent previously, increasing from 3.0 million to 3.9 million families. *Paycheck to Paycheck* also provided an occupational wage analysis examining whether working families that earn the prevailing wages for five selected occupations (teachers, retail salespeople, licensed practical nurses, police officers, and janitors) were able to pay reasonable costs for housing in the communities in which they

*Held in Committee files.

live. We found that in the 60 largest housing markets across the country, retail salespeople and janitors were virtually shut out as potential homebuyers, and that individuals working in these same occupations were having great difficulty finding rental housing they could afford. While teachers, police officers, and nurses fared slightly better according to our findings, there was still ample evidence to underscore the fact that a larger and more economically diverse number of American families were unable to locate decent affordable housing for their families. To illustrate this point in more detail, we have attached two charts which illustrate the plight of retail salespeople and janitors in Providence, RI, and Denver, CO. Individuals in these occupations, according to our research, would need to pay multiples of their current salary to afford either a one- or two-bedroom rental unit or a median-priced home. Janitors, retail salespeople, and workers in other occupations we examined faced similar difficulties in many of the largest housing markets in this country.

Today, I am pleased to present to the Subcommittee the findings from our latest report, just released, *Housing America's Working Families: A Further Exploration.** I would ask that the full text of this report be included in the record of these proceedings.

This report contains new and important findings on the housing needs of working families, including the following:

- One out of every seven American households (13 million) continues to have a critical housing need. This includes 3.9 million households who work the equivalent of a full-time job.
- Rising housing costs are the primary culprit, affecting homeowners and renters in nearly equal numbers.
- Critical housing needs are not just a "city problem." While four out of 10 working families with critical needs live in urban areas, another four out of 10 live in suburban areas, with the remainder living in nonmetropolitan areas.
- Geography matters. Low- and moderate-income working families with critical housing needs are more likely than not to live in the more than two dozen metropolitan "hot spots," where high prices reflect the lack of affordable housing. These areas had monthly housing costs in the range of $735 to $1,167 in 1999, and include such places as Boston, Chicago, Honolulu, Los Angeles, New York, Trenton, Seattle, and Washington, DC.
- These high-priced markets exact other costs from working families. Families are more likely to have longer commutes and are more likely to share housing or other expenses than families in lower-cost markets. They also are more likely to avoid high housing costs by living in crowded conditions and, to a lesser extent, living in poorer quality housing.
- Families with chronic housing needs tend to be more often supported by a single worker than any other group.
- Racial and ethnic minorities are over-represented among working families with chronic critical housing needs, making up more than half (53 percent), compared with 42 percent of families with temporary critical needs, and 29 percent of families without any critical housing needs.
- Nearly a fifth (19 percent) of working families with chronic housing needs are female-headed families with children. Although having children does not distinguish working families with chronic needs from those with temporary needs, the number of children does. More than a third (36 percent) of families with children who have chronic housing needs have three or more children, compared with 25 percent of families with children whose housing needs are temporary.

Taken together, the findings in these reports elevate our concerns about the housing needs of low- and moderate-income working families. This group is growing in numbers, yet it's been for the most part, overlooked by existing housing programs. NHC believes that housing policies (and resources) geared to the circumstances of working families need to become part of our overall commitment to decent, affordable housing for all Americans. Addressing the housing needs of these families, however, should not be viewed as part of a zero sum game. Families at or near the bottom of the income ladder—who are either out of the labor market or only marginally employed—continue to have the highest incidence of housing needs.

Affordable Housing Funding Must Become a Higher Priority

NHC's research over the past 4 years underscores and brings into sharper focus what those of us in the housing community have known for years. This Nation does, indeed, have an affordable housing problem of crisis proportions. That said, it is

*Held in Committee files.

more than unfortunate that this crisis is not well known and not well understood. News reports that trumpet record homeownership rates, increased housing starts and the overall strength of the private housing industry in an uncertain economy at best muddy the waters and at worst provide decisionmakers like yourselves with a false sense of security that all is well in America as it relates to housing. Our research indicates that all is not well.

Far more troubling than this, however, is the ongoing refrain here on Capitol Hill that "this will be a tight budget," and "there is little or no room for increased domestic spending," and "there is no political support for increased funding for Federal housing incentives." In fact, over the period of the last several years, we have, in a very real sense, painted ourselves into a corner such that marginal (and totally inadequate) increases in Federal spending for housing have been and may yet this year be viewed as a "victory."

The National Housing Conference believes that the time has come to reach a new political consensus with respect to housing. This new consensus should be based upon an understanding and appreciation of the depth and breadth of the housing needs faced by American families. For far too long, housing policy at the Federal level has been formed by longstanding skepticism over failed housing initiatives, mismanagement at HUD and, more on the local level, the larger and less well-defined concerns often referred to as NIMBY-ism. The consensus that I am referring to must be based on a common belief that 13 million families with critical housing needs is unacceptable. This new consensus must stimulate a heightened sense of urgency and foster the political will necessary to address the housing needs of American families. We have the tools and we know what to do; now we must act.

With our Nation battling terrorism and with national security concerns on everyone's mind, elevating housing will not necessarily be the most popular thing to do. However, NHC's members believe that national security, in its most basic form, begins in our homes and in our communities. In times of national crisis, we draw strength from our families and the stability that comes from a decent home and suitable living environment. Viewed in this manner and given the breadth of the current need for affordable housing that I noted earlier, housing, even in these troubled times, can and should be seen as a more important domestic priority and much more connected to our overall security interests here at home.

As I mentioned, it is our contention that we are not lacking workable programs or housing expertise. What we need quite simply are more resources to either directly fund or leverage the dollars necessary to produce more affordable housing or preserve the current supply of affordable housing. The Federal dollars necessary to support many of the affordable housing programs we now have are simply not there in sufficient amounts to meet current needs.

Four Windows: A Metropolitan Perspective on Affordable Housing Policy in America, 2001

This past year, the NHC convened a series of roundtables with local housing professionals and community leaders in Minneapolis-St. Paul, New Orleans, Portland, and Seattle. We published an overview of these roundtables in a report called *Four Windows: A Metropolitan Perspective on Affordable Housing in America, 2001.** I also would ask that this report be included in the record of these proceedings. In conducting these roundtable discussions, we were most impressed by the level of creativity and ingenuity that has been used in the effort to meet local needs for housing. In some respects, the absence of sufficient Federal funding has fostered (by necessity) a level of creativity that has enabled or encouraged local levies for housing in Seattle, a Housing Trust Fund in San Diego, tax-based sharing in Minneapolis-St. Paul, and regional planning with respect to housing in Portland. While these communities and many others are attempting to find new ways to meet local housing needs, leaders in these communities will tell you that the demand for new affordable housing across a wide range of incomes exists in almost record numbers. The demand for new affordable housing in these and many other communities around the country is not being satisfied by the private market. In the main, the private sector provides a product for those whose incomes enable them to enjoy the freedom and security that comes with the ability to buy or rent at the high end.

During these roundtables there were several common themes with respect to the role of the Federal Government in housing that should be explored in greater detail by this Committee, including:

- Federal conventions and standards create unintended consequences in delivering housing assistance.

*Held in Committee files.

- Despite the Federal Government's stated intent to give the States and localities considerable discretion in designing programs and directing resources, Federal policies and regulations do sometimes unnecessarily limit localities' ability to deal with local issues.
- Even where direct Federal expenditures are not involved, Federal policies can fail to take into account variations in State and local circumstances.

In specific response to your question about the need for more production of affordable housing for working families, we found that at all four roundtables there prevailed a common view that, as a Nation, we must encourage and reward the local and State efforts to produce and preserve affordable housing. After all, it is local tax, planning and zoning decisions that really determine what is done or not done about affordable housing. And it is precisely in those communities where affordable housing for working families is most needed that the most opposition to such housing exists.

The challenge, it was generally agreed, is to fashion the right kind of incentives that will encourage those communities to recognize and support the production and preservation of affordable housing. Proven tools to create affordable housing exist, such as inclusionary zoning, local levies, trust funds, employer support, regional strategies, and other revenue raising techniques. Participants urged that we find ways to reward and support these absolutely necessary activities while recognizing the importance of local diversity and creativity. Federal and State incentives to localities to promote affordable housing could include challenge grants, funding formulae, consolidated plan improvements, and tax benefits.

In summary, NHC is recommending that two actions be taken. First, that additional resources be provided for proven tools and programs that we currently have, including HOME, CDBG, and Section 8, etc. Second, we hope this Subcommittee will focus attention on State and local efforts to promote affordable housing and explore ways to make these activities more appealing through the use of incentives.

Mr. Chairman, this concludes my testimony. I would be happy to answer any questions you or other Members of the Subcommittee may have, and NHC welcomes the opportunity to continue to assist you in the work of this Subcommittee.

MULTIPLE OF SALARIES NEEDED TO PAY FOR AN AFFORDABLE RENTAL UNIT

	JANITOR		RETAIL SALESPERSON	
	1 BR	2 BR	1 BR	2 BR
Denver, CO	1.2	1.6	1.2	1.5
Providence, RI	1.2	1.5	1.3	1.6

MULTIPLE OF SALARIES NEEDED TO PURCHASE A MEDIAN PRICED HOME

	JANITOR	RETAIL SALESPERSON
Denver, CO	3.1	3.1
Providence, RI	2.3	2.6

PREPARED STATEMENT OF JOANN KANE

PRESIDENT AND CHIEF EXECUTIVE OFFICER, MCAULEY INSTITUTE

MAY 15, 2002

Mr. Chairman and Members of the Committee, thank you for inviting me to share our ideas about the affordable housing needs of working families and possible solutions. As President of McAuley Institute, a women's housing intermediary, I would like to address some special concerns of *women* working to support their families on small incomes. Mr. Chairman, I would also like to express my gratitude for the leadership you have shown, as well as the dedication, knowledge, and openness of your staff.

McAuley Institute, through technical assistance and financial resources, attempts to bring compassionate business acumen to the development of emerging, nonprofit housing development groups, most of them led by women working to improve conditions in their communities. Founded in 1983 by the Sisters of Mercy, McAuley is a faith-based institution headquartered in Silver Spring, Maryland. We have regional offices in Houston, Austin, and Raleigh.

Overall, I believe two emphases are needed in Federal policy. First, we need a large infusion of resources for *production* to meet the Nation's current affordable housing crisis. And second, we need to pay attention to the more nuanced housing needs of special populations like battered women and people who are homeless, those living with HIV/AIDS and those leaving welfare. Women and minorities make up a disproportionate share of these groups, and their plight is rooted in a history of racism, sexism, and segregation. Federal leadership is warranted because the marketplace, State and local governments often lack either the will or the capacity to adequately respond.

In my testimony, I would like to make five specific recommendations and also highlight some of the successes that McAuley Institute has been a part of, through our nonprofit partners, at the grassroots level.

Need for Production for Extremely Low-Income Families

First, we believe that a trust fund would be the right choice to dedicate resources to expand our Nation's affordable housing infrastructure. We believe that the Congress should enact a national housing trust fund targeted to extremely low-income people and sufficient to build, rehabilitate, or preserve 1.5 million units over 10 years. We appreciate Senator Kerry's introduction of S. 1248 that would create such a trust fund.

Even on a scale of 150,000 units a year, it will take many years to assure a safe, decent affordable house for all. The shortage of units that are both affordable and available to extremely low-income households (those with income less than 30 percent of the area median) is 5.3 million. In 1999, of the 4.9 million households HUD defines as having "worst-case housing needs," slightly more than half were women or women-headed. So 1.3 million were elderly households, including 62 percent women or women-headed; 1.8 million were households with children, 51.4 percent of them headed by women.

The social benefits of affordable housing opportunities are really astounding. Jens Ludwig, a Brookings Institute fellow and a Georgetown University professor, cited research at a conference last month indicating that the impact of housing vouchers on children's reading tests was equivalent to that of reducing the class size from 22 to 15.[1]

Some object to a trust fund on the face of it, but this Nation has long recognized the appropriateness of dedicating related revenues for such purposes as road building, airport operation, and old age security. For affordable housing, we should look to the FHA and Ginnie Mae surpluses or the tax subsidies that now drive the overproduction of McMansions and second and third homes. Assistant Secretary for Housing and FHA Commissioner John Weicher acknowledged in testimony before this Subcommittee last month that these surplus receipts do indeed exist. Unless the excess not needed to guarantee FHA solvency is captured for another housing purpose, such as a trust fund for extremely low-income households, these surpluses will continue to accumulate in the General Treasury and be expended for nonhousing purposes. FHA borrowers last year received a share of the surplus through reduced premiums. In addition, since they have already benefited from a Federal program that enabled them to become homeowners, it is only fitting that the sur-

[1] The reference was to Section 8 vouchers under the Moving to Opportunity demonstration, which combines a voucher, choice of location, and employment support. In the same program, significant improvements are being documented in health, mental health, and parenting according to Ludwig.

plus, largely attributable to a strong economy, now be "recycled" to reach the millions of needy families who receive no Federal housing assistance.

Assuring the Community's Voice in Homeless Planning

My second recommendation, Mr. Chairman, is that all housing programs require transparent community planning processes such as one employed by Continuum of Care programs. In your draft legislation reauthorizing the McKinney–Vento homeless programs, we strongly support your position in favor of the Continuum of Care process and your proposal for new funding for permanent housing for the chronically disabled and homeless families. We strongly believe that decisions made in collaboration among public officials, community stakeholders, and expert nonprofit providers are preferable to the vagaries of a block grant program.

About 1 percent of the U.S. population is likely to experience homelessness at least once during a year, according to a 2000 Urban Institute study. Persons in families, usually mothers and children, make up one-third of those homeless on any given night. We understand that your bill will propose an increased authorization level and a permanent national set-aside for permanent housing for the chronically disabled and the homeless families. This is important because it is unbelievable that any child ever spend one night without a roof over her head. Families, mostly mothers and children, are the fastest growing segment of the homeless population, and affordable, permanent housing is ultimately what they need. At the same time, an emphasis on permanent housing for the chronically disabled is important because, over the long-term, those most susceptible to recurring bouts of homelessness are disabled persons who need ongoing medical and other supportive services.

Mr. Chairman, I know you have been a visitor at McAuley Village in Providence, Rhode Island, whose Executive Director, Sr. Dolores Crowley, served on our board of directors at McAuley Institute. McAuley Village is an excellent example of how comprehensive, individualized services, along with safety and security, and help young single parents achieve self-sufficiency. With an average residency of 21 months, 60 percent of McAuley Village's residents have found jobs in such fields as engineering, nursing, banking, and cosmetology. Some have started their own businesses and others have bought their own homes.

Meeting the Housing Needs of Domestic Violence Survivors

About half of homeless women are fleeing domestic violence, bringing me to our third recommendation. Women fleeing a batterer or sexual predator need not only a place to live, but also a sanctuary for protection. To meet their particular needs for security, privacy, and personal support, the Senate should act on the VAWA housing assistance authorization, at $25 million, which recently passed the House as part of the Child Abuse Prevention and Treatment Act (H.R. 3839) and is now pending before the Senate Committee on Health, Education, Labor, and Pensions. This provision, originally passed as part of VAWA 2000 but never funded, provides for support services and up to 12 months of cash assistance for transitional housing for domestic violence survivors in danger of becoming homeless.

To go a step further, the Committee should consider drafting a companion bill to the Domestic Violence and Sexual Assault Victims' Housing Act (H.R. 3752) introduced by Representative Jan Schakowsky. This measure would authorize $50 million for housing, including construction, and the appropriate services for battered women. This measure would provide a continuum between emergency shelter and independent living, either in the form of transitional housing production or financial assistance for security deposit, first month's rent and transitional rent assistance. The legislation has bipartisan support. Women need both full funding of McKinney programs plus a new initiative to address the particular needs of all women escaping domestic violence.

Supporting the Link Between Housing and Employment for TANF Leavers

Fourth, we believe Congress should act to make housing available as a support service for those who recently or soon will be expected to leave welfare. Although housing assistance can greatly increase the ability of families to become gainfully employed, only 30 percent of welfare recipients receive any form of housing subsidy. The Manpower Demonstration Research Center's evaluation of the Minnesota Family Investment Program, found the greatest impact on employment and earnings to be among families that received housing assistance in addition to other TANF benefits and services. Their employment rates were 18 percentage points higher and quarterly earnings 25 percentage points higher.

Senator Kerry's bill, S. 2116, the Welfare Reform and Housing Act (S. 2116) would give flexibility to States to treated housing assistance as a work support, or "non-assistance" under TANF, in the same manner as child care and transportation assistance paid with TANF funds are now. In addition, S. 2116 would authorize a $50 million HHS–HUD demonstration of innovative "housing with services" programs for TANF recipients facing multiple employment barriers, including homelessness, unstable and precarious housing.

Iowa Department of Human Services data show that 52 percent of recent welfare leavers had insecure housing arrangements 2 years later. Of the leavers, 24 percent were unable to pay the rent or mortgage, 19 percent were doubled up and 8 percent were homeless. Under such precarious circumstances, obtaining and keeping steady employment becomes extremely difficult. The demonstration program would address not only the housing situation but also through appropriate services, health and mental health and skill deficits facing some of those who remain on welfare.

An example of such a housing and services approach is provided by one group McAuley works with in Philadelphia. The Women's Community Revitalization Project (WCRP), builds housing and manages services for women who have numerous obstacles to self-sufficiency—limited fluency in English, education deficits, lack of work experience, physical disability, the lack of constructive children's activities, and traumas left from domestic violence and crime. (Domestic violence is a factor in the need for assistance by nearly half of all TANF cases.) In this eastern part of North Philadelphia, approximately 70 percent of residents receive public benefits and the remainder support their families on less than $16,000 a year.

The WCRP, like some other nonprofit groups, does not take a developer's fee. This allows the group to rent units for as little as $150 per month. Four years after becoming WCRP tenants, only 30 percent of the women remain on public assistance. Such success comes from services tailored to each individual. Many of the social, education, and employment services already exist in the community, but others like child care are provided in conjunction with the housing and case management. Frequently, WCRP staff are called on to assist in crises arising from illness, domestic violence, loss of employment or economic support, child abuse, suicide attempts, and conflicts between tenants. The case manager also helps resolve potential lease violations before they occur. As a result, the program has experienced very low eviction rates. WCRP encourages tenants to join the WCRP board, advisory committee, and other committees that play a role in management.

WCRP's model is similar to a variety of approaches that could be tested and evaluated as part of the demonstration authorized in S. 2116. The proposal would also allow up to 10 percent of funds for testing approaches that would promote housing stability, employment retention, and responsible parenthood among noncustodial parents. While such a demonstration and treatment of housing as a work support are issues that can be addressed under welfare reform reauthorization, there are changes in housing programs that this Committee should consider to facilitate the movement of TANF recipients to economic independence:

Authorization and appropriation of Welfare to Work vouchers linked with PHA workforce programs. Experience with the 50,000 vouchers of this type appropriated in fiscal year 1999 suggests that, in addition to helping families, the program provided positive incentives for cooperation between PHA's and workforce investment agencies.

Provision of funds to help families with vouchers move closer to jobs. To obtain housing in areas where more jobs are available than where they currently live, TANF recipients who also receive vouchers often need assistance to become familiar with new communities and identify willing landlords. Housing search assistance costs up to $3,000 per family, but the PHA's currently do not get additional administrative fees for this purpose from HUD. PHA's unable to use all their allocated voucher funds should be permitted to use a portion for the one-time costs of housing search assistance. Additional funds should be made available for those that have no other funds to use for such assistance.

Modification of the Family Self-Sufficiency Program so it is able to reach more than the 1.5 percent of eligible TANF families that it now enrolls. FSS is a HUD-administered employment and savings incentive program for low-income families that have housing vouchers or live in public housing. Earnings held in escrow may be used for downpayments toward homeownership. Families that live in project-based Section 8 units are not currently eligible for FSS. Congress should amend that restriction and clarify that HUD may provide funding for multiple FSS coordinators to PHA's with large public housing FSS programs.

Clarification that legal immigrant victims of domestic violence eligible for TANF and other welfare-related benefits are also eligible for housing benefits under Section 214 of the Housing and Community Development Act. When the welfare law was passed in 1996, Congress in an apparent oversight failed to extend the same eligibility to housing assistance, as it did for other benefits, for abused immigrants who have filed a petition for permanent residence or related relief under the 1994 Violence Against Women Act (VAWA).

Sustaining the Role of Nonprofits

McAuley's final recommendation is that Congress recognize the unique ability of nonprofits to develop affordable housing by encouraging the participation of nonprofit developers in any housing production legislation. Nonprofits could become even more productive and efficient if Federal policy helped streamline the financing process and eliminate duplicative paperwork.

While the private market and tax policy encourage private developers to build larger and more expensive units, nonprofits are dedicated to long-term affordability, often for the lowest income families in a community. One nonprofit McAuley has worked with, Bickerdike Redevelopment of Chicago, is virtually the only developer of affordable housing in the city's changing West Town according to a recent study by the University of Illinois at Chicago. Long-term affordable housing is only 7.4 percent of the present stock of this once economically and ethnically diverse neighborhood not far from the Loop.

Another example of the growing sophistication of these groups is S.A.F.E. (Stop Abusive Family Environments) in southern West Virginia, which McAuley has worked with for at least 6 years, helping the staff and board on strategic planning, project development, resource development and, now, homeownership counseling. (Our assistance has been funded under a HUD CHDO TA contract.) S.A.F.E. began by renovating a former school building to create transitional housing for 31 domestic violence survivors and homeless women with children. Now the organization has not only helped hundreds of women working to recover from trauma and support their families, but has also grown to become the county's largest housing developer and, after the hospital, its largest employer.

S.A.F.E. has become a certified Community Housing Development Organization (CHDO) under the HOME Partnership Investment Act. Having built both homeownership and rental units, S.A.F.E. and a partner have created a low-downpayment mortgage product that will foster homeownership in a county whose median income is only $19,000.

Recently, the McDowell County Commissioner asked S.A.F.E., through resources S.A.F.E. would need to leverage, to provide for the relocation of 1,000 households to be impacted by an Army Corps of Engineers flood protection project. But just last week, we received a heart-breaking call from S.A.F.E's Director, Sharon Yates, who reported that the flood that struck her area the week before had taken 2,000 homes in addition to the five lives known lost. Suddenly, the looming housing shortage units has tripled to 3,000. Meanwhile, one of the many public and private partners S.A.F.E. has worked with, HUD's Rural Housing Economic Development (RHED) Program, stands to loose its funding, $25 million in fiscal 2003.

Funding must be protected for programs on which nonprofits like this depend to do their work—programs like the HOME Investment Partnerships, CHDO TA, the Community Development Financial Institutions fund, (CDFI), and USDA housing programs. Like RHED, most of these are cut or provided no increase in the Administration's budget request for fiscal 2003. The budget request would zero out RHED. The request for CDFI is $68 million, or 15 percent less than fiscal year 2002 and 42 percent less than fiscal year 2001. The request for the USDA Section 515 Rural Rental Production Program is $60 million, or 47 percent below the current $114 million. HOME would remain at the same level, but the Administration would continue to cut the amount for technical assistance to nonprofit developers. HUD offered no funding for CHDO TA in its recent Super NOFA. The line item it comes from (for technical assistance and management information systems) has fallen from $22 million in fiscal year 2001 to $12 million requested for next year.

The nonprofit sector in housing and community development started to blossom only after 1987 passage of the National Affordable Housing Act which established and legitimized CHDO's. HOME-funded technical assistance has helped nonprofits become more sophisticated. The 15 percent HOME set-aside for CHDO's helped open the eyes of State and local officials to the effectiveness of nonprofits. In 1986, the year prior to HOME's enactment, Low-Income Housing Tax Credit was adopted and made a significant source of funds available to nonprofit developers.

In the past 15 years, there has been a tremendous growth in the number of CHDO's and CDFI's. Nonprofits have produced over 550,000 units, or one-third of the subsidized housing stock according to the National Congress of Community Economic Development. Nonprofits have succeeded, where others have not tried, in getting prices down so that units are affordable at less than 50 percent of median income. Units such as WCRP's rent for as little as $150 per month. We also know from the GAO and elsewhere that nonprofits provide a quality product tailored to the particular needs of poor populations, including disabled and elderly persons and large families. Often this work is done under challenging environmental and political circumstances.

Because we are charitable, tax exempt organizations, nonprofit intermediaries, and developers have been able to bring billions of dollars from an array of sources to the task of affordable housing. Without nonprofits, these charitable contributions from foundations, community institutions and businesses would not be available for housing. The Nation's socially conscious investors would find other uses for the funds they put now into affordable housing. Nonprofit housing developers also have used the Community Reinvestment Act, Home Mortgage Disclosure Act, and Fair Housing laws to hold financial institutions accountable for serving and investing equitably in low-income and minority areas.

In addition, community-based nonprofits have learned to collaborate with institutional partners like hospitals and universities to develop housing and link it to human services and employment. These partnerships have resulted in larger-scale development than community organizations would be able to produce on their own.

Nonprofit organizations are maintainers as well as builders of affordable housing. According to NCCED, they manage 59 percent of the housing they produce. Because they are mission-driven, this stock is more likely to be maintained in sound condition and kept affordable for the long-term. The nonprofit housing organizations also tend to provide a range of services, including health, recreation, social services, and crime prevention. We found this to be particularly so among women-led community development organizations in our 1999 study, *Women as Catalysts for Social Change.* Nonprofit organizations, particularly those led by women, emphasize community planning and organizing to strengthen residents' influence with Government and private institutions. Nonprofits help empower residents to advocate for the benefit of the community.

Besides drawing capital into poor areas for housing and economic development, nonprofits like S.A.F.E. not only incubate small businesses but also become significant employers themselves, all the time helping to develop skills and careers for community residents. Nonprofits have become an engine of social and economic change in areas the private sector has written off. S.A.F.E. has brought $2 million in investment into a county that, once the richest in West Virginia, is now the fifth poorest in the Nation.

We need more CHDO's nationally, particularly in the many areas where none now exist. One unofficial estimate is that only 20 percent of communities which could use community development organizations have them. Many of these places are outside the largest urban centers. Many are in rural areas and small cities and towns, especially in the South. Often these are places where there is little interest by the private or public sectors in building affordable housing or supporting community development. The 15 percent set-aside for CHDO's in the HOME program will continue to be an important means of getting Federal support to new organizations in such areas.

In our experience, great potential arises daily out of faith communities, neighborhood organizations, and even individuals who become inspired to do something for their neighborhoods. At McAuley Institute, we do not have the staff to meet all the requests we get for technical assistance from people like this who want to start a new housing nonprofit. At times requests have outsized our capacity by a factor of seven to one.

Nonprofits encourage human ingenuity as people in communities struggle to solve real problems with very little financial capital. In places like San Juan, Texas, Proyecto Azteca has been trying to meet and improve deplorable housing conditions for Mexican immigrants, mostly farm workers, who earn $4,500 to $13,500 a year. In 1992, McAuley made Proyecto its first loan from our CDFI-supported loan fund and we have continued to provide, pass-through grants and hands-on CHDO TA for project, organizational and resource development. Since 1992, Proyecto has supervised the construction of over 160 self-help homes by the people who eventually purchased them. Production has grown from five to over 35 houses per year.

Recently, the organization has experimented with a new housing model known as "cascarones," or shell houses. The strategy is consistent with the self-help philosophy and a culture in which people are accustomed to buying only as much of a product that they can afford at the time. At $10,000 per unit, the cascerones are affordable to low-income families who then may finish them according to their needs and financial ability. Proyecto Azteca's goal is to offer houses that even the lowest-income colonia residents can afford. Like S.A.F.E., Proyecto has developed an affordable mortgage product with another housing organization and hopes to become a CDFI itself.

The cascarones strategy also helps Proyecto stretch its resources further in the face vast housing needs along the border, including the need to install water and sewer facilities, roads and drainage. As a CHDO, Proyecto has depended on HOME and USDA funds. For Proyecto, one difficulty with HOME is that funds may be used to buy land but not buy down leased property. Most of their clients own the structures on land leased from landlords.

Conclusion

In summary, Mr. Chairman, we hope that America's low-income working families will see the fruits of the spotlight that this Committee, the Millennial Housing Commission and others have thrown on our frayed affordable housing infrastructure. A dedicated source for investment in large-scale production will be critical to repair the gap. The nonprofit developers are ready and able to help as partners in this endeavor and, at the same time, to minister to the whole range of human frailties and obstacles that confront certain subgroups of those who are inadequately housed.

PREPARED STATEMENT OF DAVID W. CURTIS

CHAIRMAN, HOUSING FINANCE COMMITTEE
NATIONAL ASSOCIATION OF HOME BUILDERS
EXECUTIVE VICE PRESIDENT
LEON N. WEINER & ASSOCIATES, INC.

MAY 15, 2002

Introduction

On behalf of the 205,000 members of the National Association of Home Builders, I want to thank you for inviting us to speak about the housing affordability issues facing our country. My name is David Curtis, and I am a builder from Wilmington, Delaware. I currently serve as Executive Vice President of Leon N. Weiner & Associates, Inc., a Wilmington-based home building, development, and property management firm. The Weiner organization and its affiliates have developed and constructed more than 4,500 homes and 9,000 apartments, as well as several hotels, office buildings, and retail facilities.

Background on the Affordable Housing Needs of Working Families

The Center for Housing Policy released two reports recently as part of a series the Center is publishing concerning the housing needs of America's working families. The first, *Paycheck to Paycheck: Working Families and the Cost of Housing in America,* was published in June 2001. The most recent report, *Housing America's Working Families: A Further Exploration,* was released in March 2002.

These reports focus on the characteristics and housing cost burdens of working families, defined as those earning between the equivalent of a full-time minimum wage job ($10,712) and 120 percent of area median income. The Center is focusing on this group because there are signs of persistent and worsening housing affordability for them in all parts of the country, including cities, suburbs and rural areas, despite general economic prosperity.

Workers in municipal jobs, such as teachers and police officers, and in the services sectors, such as janitors, licensed practical nurses, and salespeople, fall into this group of people and are a large and growing component of many local economies. The growth in such jobs, however, is not matched by the growth in the supply of affordable housing, creating an increasingly difficult situation for both renters and homeowners.

According to the March 2002 report, in 1999, there were 13 million American families that had a critical housing need, which is defined as paying more than 50 percent of their income for housing or living in severely inadequate housing. This is a decline of less than 1 percent from 1997. The proportion of low- to moderate-income working families with critical housing needs rose from 23 percent in 1997 to 29.4 percent in 1999, going from 3 million to 3.9 million families.

For low- to moderate-income working families experiencing critical housing needs, eight out of 10 pay more than 50 percent of their income for housing. The other 20 percent of these families live in severely inadequate housing. And the problems of low- and moderate-income families with critical housing needs are geographically widespread—1.7 million of these families reside in central cities, 1.5 million live in the suburbs and another 656,000 live in nonmetropolitan areas.

The report also states that housing cost burdens overall are worsening, with 38 percent more renters and 22 percent more homeowners having a critical housing need in 1999 compared to 1997.

The June 2001 report conducted an in-depth look at rental and homeowner affordability for low- and moderate-income working families, using five typical service-related occupations in 60 different metropolitan areas. The report finds that in not one of these areas could renters afford a two-bedroom unit without paying considerably more than 30 percent of their income for rent, and often two earners in the household were required to pay for housing costs. And on the homeownership side, the report found that unless a household had two earners, it would not be able to purchase a median priced home in two-thirds of the metropolitan areas examined. The report also points out that many of these households will be forced to remain renters for the indefinite future, putting further pressure on the affordable rental housing stock.

The Joint Center for Housing Studies of Harvard University's "The State of the Nation's Housing" 2001 report had similar findings regarding increasing housing affordability stresses low- and moderate-income families. This report also discusses the imbalance between the supply of affordable units and the growing demand for them. The report states that although 1.6 million rental units were constructed during the 1990's, 1.25 million units were removed.

The "State of the Nation's Housing" report also points out that the limited production of units affordable to low- and moderate-income households is likely to cause the critical housing needs problem to spread further to moderate-income families. While Federal housing programs, such as housing vouchers and tax credits, can provide housing for very low-income households and still be profitable to owners, the report states that increasing land costs have made rental units for moderate-income households barely profitable.

The report concludes by saying that housing affordability, which is already a critical problem for very low- and low-income households, is beginning to affect more moderate-income households, too, and that it is likely to worsen over the next decade. The report cites the growing pressure to restrict growth and land development, exclusionary zoning practices, and high land costs as hampering the production of new affordable units and that these factors will make it increasingly difficult to help even moderate-income families.

NAHB Recommendations

NAHB appreciates that Congress and the Administration must reconcile significant demands on the budget every year, but especially this year because of the need to expand homeland security and defense in light of the September 11 attacks. That being said, we believe there are a number of steps that can be taken to improve existing housing programs to produce more affordable rental housing and to help low- and moderate-income households become homeowners. However, we believe that it is necessary to consider some new programs as well, particularly related to multifamily rental housing, because if we continue to delay addressing current needs, it will be even more difficult to resolve these problems in the future.

HOUSING IMPACT ANALYSES

Layers of excessive and unnecessary regulation imposed by all levels of government—Federal, State, and local—can add 20 to 35 percent, or thousands of dollars, to the cost of a new home, making it difficult or even impossible for families to achieve homeownership or find affordable rental housing. The housing industry needs sensible, appropriate, and balanced regulations and guidelines at all levels of government. NAHB believes the elimination of unnecessary barriers to the production of affordable housing should be a critical element of our national housing policy.

It is NAHB's position that Federal agencies (with some limited exceptions) should be required to conduct a housing impact analysis for any new proposed and final rule, if that rule will have an economic impact of $100,000,000 or more on housing affordability. Agencies should be required to prepare an initial housing impact analysis for each proposed rule and have it published in the *Federal Register* at the same time as the proposed rule, including an invitation to the public to comment. The initial impact analysis should contain a description of the reasons an agency is taking the action; the objectives and legal basis for the rule; and, an evaluation of the extent to which the rule would increase the cost or reduce the supply of housing or land for residential development. The initial analysis should include a citation of any Federal rules that may be duplicative or conflict with the proposed rule.

Each final housing impact analysis should contain a statement of the need for and objectives of the rule; a summary of the significant issues, analyses, and alternatives to the proposed rule raised during the proposed rule public comment period; a description and estimate of the extent to which the rule will impact housing affordability or an explanation of why no such estimate is available. The agency should be required to make the final housing impact analysis available to the public and to publish it in the *Federal Register*.

We also believe that, no later than 1 year after enactment of the housing impact analysis requirement, the Secretary of HUD should publish model initial and final housing impact analyses in the *Federal Register.* The model analyses should define the primary elements of housing impact analyses to instruct other agencies on how to implement the requirement.

NAHB believes that housing impact analyses will greatly help in reducing the number of regulatory barriers to the production of affordable housing, and we urge you to consider it as an important element of future housing policy.

A NEW MULTIFAMILY RENTAL PRODUCTION PROGRAM

As we discussed earlier, despite the Nation's general prosperity, there continues to be a critical shortage of affordable rental housing for both low- and moderate-income households. NAHB believes that the establishment of a new rental housing production program that produces 60,000 to 70,000 units annually should be a top housing priority for the Administration and Congress this year. As described in the reports we cited, there is a need for a new multifamily rental housing production program that would meet the affordable housing needs of households with incomes between 60 and 100 percent of area median income (AMI), America's "working poor." These households are not eligible for housing assistance through most current Federal housing programs.

NAHB has developed an approach different from several current proposals, including the new HOME production program contained in H.R. 3995. Our program is designed to produce mixed-income housing, which has proven to provide greater financial stability and community acceptance than developments that concentrate very low- and low-income households. The program focuses primarily on the working poor, although a portion of each property (up to 25 percent) is reserved for very low- and extremely low-income households.

There are several ways in which this program could work. Our proposal relies primarily on the low-interest rates available through Government National Mortgage Association (Ginnie Mae) guaranteed lower floater securities, which carry very low rates of interest. The securities could be issued by a variety of entities, including developers, private lenders, housing finance agencies, and local governments. Ginnie Mae would guarantee the timely payment of principal and interest to investors, which would further lower financing costs. Underlying loans could be backed by the Federal Housing Administration (FHA) or the Rural Housing Service (RHS), or could be conventional loans (use of the latter would require a change in Ginnie Mae's charter).

Interest rate subsidies or buy-downs could be employed to achieve additional affordability. To further reduce debt coverage requirements, developers may also use sources of equity and soft-second debt such as tax credits, HOME, the Federal Home Loan Bank System's Affordable Housing Program, and State housing trust funds.

The only Federal budget dollars required would be for any credit subsidy needed for Ginnie Mae's participation, interest rate subsidies or buy-downs, and a marginal increase in the cost of rental assistance vouchers for those units serving very low- and extremely low-income households. The program would require only a small amount of Federal Government subsidy per development and would provide for ongoing maintenance and future capital improvements by building in adequate reserves from monthly cash flow at a level sufficient to rehabilitate the development in year 2020. A minor modification to the existing voucher program rent payment standard would ensure that very low- and extremely low-income households could be served. The program would work in all areas of the country, including urban and rural areas.

The program also provides incentives to owners through deferral of profits and by making the recognition of any gains contingent on property performance (both financial and physical) throughout the 40-year period that the units must be held in the affordable housing stock. There should be no exit tax on noncash appreciation of the property when an owner sells the property. However, if the property is sold after 40 years, 50 percent of the equity appreciation should be returned to the Federal Government to produce additional affordable housing.

The program could be administered by State housing finance agencies, which already administer the tax credit program, HOME, CDBG, and other housing loan and grant programs. Centralized administrative elements could be handled by HUD, which already performs similar functions for many of the programs listed above.

In looking at how a new production program might work, NAHB believes we need to tackle affordability problems at all income levels. We urge you to take a close look at our proposal as you consider how to address this issue.

FEDERAL HOUSING ADMINISTRATION (FHA) MULTIFAMILY PROGRAMS

NAHB is a strong supporter of the FHA Multifamily Mortgage Insurance Programs. We have worked with HUD and Congress over the years to bring improvements to the programs, which are critical to addressing the Nation's affordable housing needs.

Indexing the Loan Limits to Inflation

NAHB applauds Congress and HUD for increasing the FHA multifamily mortgage loan limits by 25 percent last year. The increase has already assisted in opening up markets previously unable to use the programs because the loan limits were too low. However, NAHB believes that, without an indexation for inflation, any gains realized from the 25 percent increase will be quickly lost.

We believe that the FHA multifamily mortgage loan limits should be indexed to inflation, as measured by the annual construction cost index published by the Bureau of the Census of the Department of Commerce. Indexing the loan limits will help stabilize the programs and give builders and lenders confidence that they will be able to use the programs in their communities every year, even as construction and land costs rise over time.

Increasing the High-Cost Limits

NAHB also strongly believes that housing needs in high-cost markets where the base loan limits are too low must be addressed. Currently, the law gives the Secretary of HUD the discretion to increase the base limits by up to 110 percent in geographic areas where construction costs are very high. The Secretary is also able, at his discretion, to approve an increase of up to 140 percent for individual projects in high-cost areas. However, there are a number of high-cost urban markets, such as New York, Boston, San Francisco, Chicago, and Los Angeles, where construction costs are significantly higher than in other areas of the country, and the high-cost factors have not been sufficient to allow use of the FHA Multifamily Mortgage Insurance Programs. NAHB conducted an analysis of those five high-cost urban areas, which demonstrates that, even with the recent 25 percent increase and current high-cost factors, costs exceed the current limits.

NAHB supports an increase in the maximum high-cost factor from 110 percent to 140 percent in geographic areas and an increase in the high-cost factor from 140 percent to 170 percent on a project-by-project basis. NAHB believes that indexing the loan limits to inflation and increasing the high-cost factors together will greatly improve effectiveness of the FHA Multifamily Mortgage Insurance Programs. Markets previously unable to use the program would be able to start increasing the supply of much-needed new affordable housing for low- and moderate-income families.

FHA SINGLE-FAMILY MORTGAGE INSURANCE

NAHB is also recommending some improvements to the FHA Single-Family Mortgage Insurance Programs that increase the efficiency of FHA's programs and enable these programs to make homeownership attainable for more families.

Downpayment Simplification

The FHA simplified downpayment procedure was first implemented as a successful pilot for residents of Alaska and Hawaii, and then was expanded nationally 3 years ago via a series of temporary extensions. The most recent extension of the authority for the simplified method of calculation is scheduled to terminate on December 31, 2002.

The Senate Banking Committee Chairman Paul S. Sarbanes (D–MD) recently introduced S. 2239, the "FHA Downpayment Simplification Act of 2002," and this legislative provision is also contained in H.R. 3995. NAHB supports making the simplified downpayment calculation method permanent and urges Congress to enact this measure.

The strength of the Mutual Mortgage Insurance Fund has improved each year since 1998 when this provision was temporarily enacted. This procedure actually offers a simplified method of maximum mortgage calculation. The simplified method results in greater loan-to-value ratio loans than permitted under the previous calculation method.

The simplified calculation multiplies a loan-to-value percentage times the lesser of the appraised value or the sale price. By contrast, the former system required that the acquisition cost first be determined, then two calculations were performed: One in which the acquisition cost was multiplied by a tiered series of percentages; and a second in which the appraised value was multiplied by a factor. Under the former system, the maximum mortgage was the lesser of the two products.

Hybrid ARM Adjustments

NAHB supports a technical change in the National Housing Act, which would make hybrid adjustable-rate mortgages (ARM's) available at competitive rates and terms for FHA borrowers who otherwise would not be able to obtain funding under conventional hybrid ARM programs.

The FHA-insured ARM has been a valuable tool for expanding homeownership opportunities. Last year, FHA obtained authority to insure a hybrid ARM, a mortgage that has a fixed rate of interest in the early years of the loan before switching to annual adjustments over the mortgage's remaining term. Unfortunately, the current law caps the initial adjustment for FHA-insured 5–1 hybrid ARM's to 1 percent, which makes the FHA-insured hybrid 5–1 ARM less attractive to investors than conventional hybrid ARM's that carry a 2 percent initial adjustment cap. This means that, under normal market conditions, lenders will not offer FHA-insured hybrid ARM's due to unfavorable pricing in the secondary market. A change in the interest rate adjustment limit, therefore, is needed to allow FHA to offer a product that is attractive to secondary market investors.

GINNIE MAE GUARANTEE FEE

NAHB urges Congress to repeal the increase (from 6 to 9 percent) in the Government National Mortgage Association (Ginnie Mae) guaranty fee, which is scheduled to take effect in fiscal year 2004. A guaranty fee increase of even three basis points would represent a heavy tax on affordable housing and would decrease homeownership opportunities for thousands of families each year. The increase would be passed along in financing charges, generally to borrowers who could least afford additional mortgage financing costs. There is no financial basis for a guarantee fee increase because Ginnie Mae operates at a profit and has done so throughout its existence.

TAX-RELATED HOUSING PROGRAMS

The Low-Income Housing Tax Credit Technical Advice Memoranda

The NAHB believes it is essential that Congress modify the Low-Income Housing Tax Credit (LIHTC) Program in order to ensure its continued existence. The LIHTC program has provided a key part of the financing for nearly all of the affordable rental housing built in the last decade. The credit provides equity financing that reduces lower mortgage amounts, providing reduced debt service and, therefore, more affordable rents for households with incomes at or below 60 percent of area median income.

In October 2000, the Internal Revenue Service (IRS) issued five technical advice memoranda (TAM's) that threaten the ability of the LIHTC program to continue to provide affordable housing. The TAM's take aggressive positions aimed at reducing the eligible basis, which lowers the amount of tax credits or equity financing a project receives. The TAM's have the effect of reducing credits for many projects by 25 percent or more. In addition, uncertainty over future IRS actions is reducing the prices paid for the credits, further reducing the effectiveness of the LIHTC program.

NAHB supports legislation that would provide certainty for tax credit allocations. In the House, Representatives Nancy Johnson (R–CT) and Charlie Rangel (D–NY) sponsored H.R. 3324, and the Senate companion legislation S. 2006 is sponsored by Senators Bob Graham (D–FL), Orrin Hatch (R–UT), Jim Jeffords (I–VT), Robert Torricelli (D–NJ) and John Kerry (D–MA). This bill introduces the concept of "development cost basis" and then specifically identifies costs that qualify as includable in basis. The identified costs are: Site preparation costs, State and local "impact" fees, reasonable development fees, professional fees related to basis items, and construction financing costs (but not financing costs to acquire land). This legislation will ensure that quality affordable housing will be maintained and that investor and lender confidence will be restored. This will increase private investment and allow more housing to be built for each tax credit dollar.

A NEW SINGLE-FAMILY HOMEOWNERSHIP TAX CREDIT

NAHB believes a new program is needed to create homeownership opportunities for low- and moderate-income individuals who currently lack decent housing opportunities. Therefore, NAHB supports the creation of a housing tax credit called the "Renewing the Dream" homeownership tax credit that is included in the Administration's fiscal year 2003 budget. The proposal, modeled after the Low-Income Housing Tax Credit Program, is designed to encourage new construction and substantial rehabilitation of homes for sale to low- and moderate-income families in economically distressed urban and rural areas.

The proposed homeownership tax credit would provide an annual Federal tax credit of $1.75 per capita or a minimum of $2 million per State. This credit would be allocated to developers that construct or rehabilitate owner-occupied homes in census tracts with incomes at or below 80 percent of area or statewide median income. Developers would be allocated tax credits through a competitive allocation process administered by State agencies. The credits would be claimed over a 5-year period. Tax credits could be used for up to 50 percent of the development cost of each home and could be sold to investors to provide financing for the construction or rehabilitation of the homes.

Senators Kerry (D–MA) and Santorum (R–PA) have a legislative draft of the homeownership tax credit that will be introduced in the Senate soon. This legislation will significantly reduce the cost of homes for low-income individuals and will provide the necessary financial incentives for builders to build and rehabilitate in low-income areas where costs are high. We urge you to support this proposal.

THE SINGLE-FAMILY MORTGAGE REVENUE BOND PROGRAM

Two bills, S. 677 and H.R. 951, entitled The Housing Bond and Credit Modernization and Fairness Act, have been introduced in Congress to address problems impairing the effective operation of The Single-Family Mortgage Revenue Bond (MRB) Program administered by State housing finance agencies. The MRB program is an important source of mortgages for low- and moderate-income households, financing over 106,000 mortgages in 2000. Nationally, the average income among the MRB purchases was $34,200 (approximately 68 percent of the national median income) and half the median income of conventional purchasers. In 2000, 21 percent of the MRB purchasers were minorities; about 60 percent of the loans were in urban areas; and, 20 percent of the loans helped families in rural areas. The bills include three provisions:

First, the bills repeal the Ten Year Rule, which was enacted in 1988 and requires States to use MRB mortgage payments received after the original MRB has been outstanding for 10 years to retire the bonds rather than to make new mortgages. It is estimated that by 2005, State housing finance agencies will lose more than $12 billion—140,000 mortgages—in mortgage authority because of the Ten Year Rule.

Second, the bills would provide an alternative means of establishing the MRB purchase price limit. Currently, the statute requires purchase prices to be no higher than 90 percent of the average area sales price. The current limits have not been raised since 1994, which is the last time the Internal Revenue Service (IRS) published safe harbor purchase price limits. Although State housing finance agencies are permitted to publish their own purchase price limits, many do not because of the difficulty of compiling accurate data. The bills would allow States to determine purchase price limits at levels three and one half times the MRB qualifying income.

Low-Income Housing Tax Credit Program Income Limits

S. 677 and H.R. 951 also address an income-eligibility issue related to the Low-Income Housing Tax Credit Program. The bills would give State housing finance agencies the flexibility to use the greater of the area or statewide median income in determining qualifying income levels for tax credit developments located in rural areas. This change would help provide more affordable rental housing in rural areas, where incomes typically are too low to support the development of new rental housing.

Conclusion

In conclusion, Mr. Chairman, we believe that, in response to the identified housing needs of working families, measures are needed to increase the supply of affordable multifamily rental housing and to help low- and moderate-income families become homeowners. We believe that this will require the development of some new programs, particularly one designed to spur the production of rental units for working families in the 60 to 100 percent of median-income range. While the FHA Multifamily Mortgage Insurance Programs are extremely important, these programs alone do not have the capacity to produce the number of units needed to meet current and future demand. The Low-Income Housing Tax Credit Program has done a good job of producing affordable rental housing for very low-income households, but there are no Federal programs to assist working families whose incomes fall between 60 and 100 percent of median.

However, recognizing that resources will continue to be tight in the near future, we also feel it is important to improve the FHA Multifamily and Single-Family, Low-Income Housing Tax Credit, and Mortgage Revenue Bond Programs. Since these programs have proven track records, Congress can be confident that the changes we are recommending will produce results immediately. Equally important is the need to eliminate unnecessary barriers and burdensome regulations that prevent the production of affordable housing—we urge you to consider enacting a housing impact analysis requirement.

Thank you for the opportunity to be here today.

PREPARED STATEMENT OF SHEILA CROWLEY

PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION

MAY 15, 2002

Chairman Reed and Members of the Subcommittee, I am Sheila Crowley, President of the National Low Income Housing Coalition. I am pleased to be invited to testify today on behalf of our members who include nonprofit housing providers, homeless service providers, fair housing organizations, State and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and State government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. I am also representing the over 2,200 organizations and elected officials from every State who have endorsed the establishment of the National Housing Trust Fund. We are especially grateful to you, Senator Reed, for championing S. 1248, the National Affordable Housing Trust Fund Act of 2001, so vigorously.

It is an honor to follow the testimony of Senator John Kerry, the sponsor of S. 1248, and to add further evidence of the soundness of his proposal. The National Housing Trust Fund Campaign pledges to continue to build support for S. 1248 this session and, if necessary, its successor bill in the 108th Congress. The 27 cosponsors of the S. 1248 including Senator Kerry and the 175 cosponsors of H.R. 2349, the companion bill in the House, are just the start of the number of Senators and Congressmen that we intend to convince to vote to establish the National Housing Trust Fund.

This Subcommittee and the full Committee have had several hearings on the housing affordability crisis that have thoroughly documented the depth and breadth of the housing problem we face in the United States. Under Senator Allard's leadership in the last Congress, the Subcommittee also held hearings that came to the same conclusion. In the House, the Subcommittee on Housing and Community Opportunity of the Financial Services Committee has been quite active in its analysis of the affordable housing crisis, with a series of hearings in 2001 and this year. At the National Low Income Housing Coalition, we are very gratified that our data on the gap between housing costs and income are cited virtually every time Members of Congress come together to discuss the housing problem. My point is that Congress does not lack evidence that we have a serious housing problem, and there is little disagreement that *something* needs to be done. What remains is to reach consensus about *what* needs to be done and the role of the Federal Government in its implementation.

Let me add documentation of the problem for the record today. It is the position of the National Low Income Housing Coalition that the housing affordability and housing shortage problem is most severe for the lowest income people. In HUD's jargon, these are extremely low-income households or those with incomes at or less than 30 percent of the area median. On a national basis, the number of rental housing units affordable for people in this income range has dropped precipitously in the last decade, while the number of rental housing units for other low-income people whose incomes exceed 50 percent of the area median income, but are still less than 80 percent of AMI, actually grew. Between 1991 and 1999, the number of rental units affordable to extremely low-income households declined by 940,000 units or 14 percent of the total rental stock affordable to people in this income range.[1]

People often assign meaning to the term extremely low income that somehow implies that it is a category that does not include working people. Let's be very clear. A full time minimum wage worker makes $10,700 a year. In the District of Columbia, an extremely low-income family has income of $18,390 or less a year. In Providence, RI, it is $16,230. In Denver, CO, it is $19,500. In Boston, MA, it is $21,480. These are not unusual wages. These are the wages earned by the workers in the service economy. These are retail clerks, day care workers, home health aids, hotel and restaurant workers, janitors, bus drivers, security guards, nursing home staff—all the people whose daily labor is essential to the functioning of our economy. The notion that extremely low-income families are somehow different from working families is erroneous.

In the District, 30 percent of area median income if one works full time breaks down to $8.84 an hour. The hourly wage required to afford the fair market rent for a two-bedroom rental unit in DC is $18.13. In Providence, extremely low income is $7.80 an hour or less, while the two-bedroom housing wage is $12.50 an hour. For

[1] Nelson, K. (2001, May 3). "What do you know about shortages of affordable rental housing?" Testimony before the House Committee on Financial Services, Subcommittee on Housing and Community Opportunity.

Denver, the respective numbers are $9.37 an hour vs. $17.17 an hour. In Boston, $10.33 an hour is the upper limit of the extremely low-income category, while the housing wage is $20.21 an hour.[2] In all these cases, as it is in all jurisdictions in the country, the difference between what low-wage earners can earn and what the rental housing market can demand is unbridgeable without Federal intervention. Telling people to get better paying jobs so they can afford to pay the rent is hardly the answer. There will always be a demand for people to make up this segment of the workforce.

The position of the National Low Income Housing Coalition is that there is no single solution to the affordable housing crisis, but rather multiple approaches are required. First, we must increase low-wage workers' purchasing power in the housing market with more housing vouchers. But more vouchers must be in conjunction with improvements to the housing market's response to voucher holders and reducing barriers to successful voucher use. Imagine being on the waiting list for a voucher for several years, all the while struggling to maintain a home that costs an excessive portion of your income. Finally, you rise to the top of the voucher waiting list and are issued a voucher. You spend weeks searching for a suitable home to rent with a voucher, only to come to the end of your time limit without finding any place. You have to turn the voucher back and start over again at the end of the line. In many communities, the voucher program has become an exercise in social Darwinism, rather than an intervention in the mismatch between what low-income people earn and what housing costs. Therefore, we are very supportive of Senator Sarbanes' forthcoming voucher improvement bill.

Second, we must preserve as much as possible the existing housing we have that is affordable to extremely low-income households, including public and subsidized housing, as well private market, unsubsidized housing. We support S. 1365, Senator Jefford's preservation matching grant bill, and we urge Senator Kerry to add preservation as an eligible activity of the National Housing Trust Fund. We also are very concerned about the precipitous loss of housing that is affordable to the extremely low-income people through HOPE VI and other public housing demolition or revitalization efforts.

Third, we advocate a renewed Federal commitment to building housing that is affordable for the lowest-income families. Although there has been lots of discussion about "new production" proposals by all sorts of housing advocacy and industry groups, the only proposal that has actually become legislation in the Senate is Senator Kerry's National Affordable Housing Trust Fund Act. This bill will create a dedicated source of funds for the production and rehabilitation of affordable housing, primarily rental and primarily for extremely low-income households. S. 1248 warrants serious review by this Committee.

The National Low Income Housing Coalition and our many partners from across this country have been working hard to educate Members of Congress and your constituents about the need for and the merits of a National Housing Trust Fund. This campaign has generated great optimism and support, as evidenced by the over 2,200 endorsements we have received to date. I would like to place in the record the latest list of endorsers, as well as a letter from Cardinal Theodore McCarrick, the Archbishop of Washington, on behalf of the U.S. Conference of Bishops, which was sent to each Senator and to each House Member urging support of the National Housing Trust Fund.

In the course of discussing this bill in communities across the country and with nearly every Senate and many House offices, we have found great interest and considerable support. We have also heard all the arguments against it. I would like to use my time today to raise and then respond to these arguments.

1. *We do not need another program.* We may not need another housing program, but we do need a sharp increase in the level of housing funding that is targeted to serve the lowest-income households. A National Housing Trust Fund is a new source of funding more than it is a new program. The National Housing Trust Fund will augment existing production programs that cannot or do not serve these households. Given the severity of the housing shortage, a significant infusion of funds is required that is unlikely to be forthcoming in the current appropriations process. A trust fund with dedicated sources of funding is more likely to provide the level of funding required.

H.R. 3995, which Chairwoman Roukema has introduced in the House, acknowledges the need for rental housing production for extremely low-income households by creating a more deeply-targeted component of the HOME program. This is a con-

[2] National Low Income Housing Coalition. (2001) Out of reach 2001: America's growing wage-rent disparity.

cept that deserves consideration. However as proposed, H.R. 3995, does not provide for new funding, but rather uses recaptured Section 8 funds. We strongly object to this redirection of Section 8 funds, and much prefer the approach suggested in Senator Sarbanes' bill that will improve the voucher program so that there are no longer any funds to recapture because all are being used for their intended purpose.

2. *The Federal Government has failed at housing programs for the lowest-income households.* First of all, we disagree that all housing programs are failures, but we do agree that mistakes were made. Lessons learned are reflected in the design of the National Housing Trust Fund. First, the National Housing Trust Fund will not recreate economic segregation. Trust fund dollars are to be used in conjunction with other funds to support the production of housing affordable to extremely low-income households in mixed-income developments and low-poverty areas. Second, housing produced by trust fund dollars must remain affordable for 40 years and not be subject to loss to the affordable housing supply as much of the privately-owned, publicly-subsidized housing is today. Third, the National Housing Trust Fund does not favor one housing sector over another. Public housing authorities, nonprofit organizations, and for-profit companies are all potential developers and operators of housing produced through the National Housing Trust Fund. Funds are to be awarded on the basis of merit to those entities that can best demonstrate their capacity to get the job done.

3. *Production funding for extremely low-income households is insufficient; operating subsidies are also required.* We agree. In response to criticisms that the National Housing Trust Fund proposal and S. 1248 have weak operating subsidy provisions, the National Housing Trust Fund Campaign convened a committee of housing experts to develop a new approach. The result is the "thrifty production voucher" proposal that is under consideration in the House as part of H.R. 3995 and is expected to be in Senator Sarbanes' voucher improvement bill. We urge Senator Kerry to add thrifty production vouchers to the operating subsidy options in S. 1248.

4. *The excess FHA revenue does not exist.* This is the most frequent objection we hear. It is only in the highly idiosyncratic language of Federal budgeteers that is possible to say that this money does not exist. What they are really saying is that it is being used for other purposes and therefore not available for this use, or that S. 1248 is not budget-neutral and calls for spending without providing offsets. These are policy decisions that can be changed, not evidence that funds do not exist. Indeed, it is precisely these kinds of objections that argue for creating a dedicated source of revenue that makes clear how these particular funds should be used. According to the latest actuarial review of the FHA Single-Family Insurance Program by Deloitte & Touche, the FHA program will generate by 2008 $26,383,000,000 more than is required to maintain the safety and soundness of the program. The Executive Summary of the Deloitte & Touche report is attached to my written testimony, as is the HUD press release that accompanied the report in which Secretary Martinez announces the continued health program.

Please note that it is our position that the National Housing Trust Fund should not rely solely on the FHA and Ginnie Mae programs as the dedicated sources of revenue. Indeed, these are insufficient to meet the goal of 1,500,000 homes in 10 years. There are 280 State and local housing trust funds across the country, funded by a wide range of sources. We see the FHA and Ginnie Mae as making some, but not all, of the contributions to the trust fund. We are interested in working with you to identify other appropriate sources of dedicated revenue streams.

5. *Any excess FHA revenue should go back to FHA-insured homeowners.* Once objectors have accepted the notion that there are extra funds, the next argument is that they should be redistributed to the insured homeowners who must be overcharged for their homeowners' insurance. The distributive nature of the FHA Single-Family Program was eliminated by the Congress in 1990 as part of the reform to the program needed to prevent its financial decline and to put the program on sound financial footing going forward. The HUD Secretary does have the authority to reduce premiums and, indeed, the premiums were reduced in 2000. FHA-insured homeowners are receiving an important Federal benefit, that is, access to homeownership that otherwise would not be available to them, and are paying a fair price for this service.

6. *This use of FHA revenue will harm the FHA program.* This is yet another argument against the use of the FHA revenue for a National Housing Trust Fund. S. 1248 protects the FHA's programs more than current law does by raising the capital adequacy ratio, or the level of required reserves, from 2 percent to 3 percent. The projected $26 billion excess that would go into the National Housing Trust Fund assumes the higher ratio. The Deloitte & Touche analysis also includes projec-

tions based on several other economic scenarios. Even in the worst-case scenario, the ratio remains well above 3 percent.

7. *It is not appropriate to use funds from the FHA Single-Family Program to fund multifamily housing production, because such proposals are beyond the goals of the program.* This could be a legitimate policy argument, if the funds were sitting idle. But they are not; they are going into the Federal Treasury and funding other Federal priorities. Our argument is that funds earned by one Federal housing program are appropriately used to support other Federal housing priorities. This is simply a decision to make rental housing production for extremely low-income families and individuals a Federal priority again. Having said that, we are open to being persuaded that other sources of funds may be more appropriately dedicated to the National Housing Trust Fund and welcome any and all suggestions that Members of the Subcommittee and others may have.

8. *We cannot afford it.* This is the least convincing argument of all. Of course, we can afford new investment in rental housing production if we decide it is a priority. We have made housing a national priority at several points in the past when we faced housing shortages and we can do so again. Housing has historically received bi-partisan support and indeed, the peak year of subsidized rental housing production of 500,000 units was during the Ford Administration.

Not only can we afford to do this, more importantly, we cannot afford not to. The consequences of failing to act are serious. Good housing is fundamental to healthy human development. We have growing evidence that housing instability has adverse effects on employment success, school achievement, health status, and family well-being. Excessive housing cost burdens are the primary cause of housing instability. Housing instability means frequent moves, family disintegration, staying with relatives, lack of a permanent address, inability to hold onto possessions, and in the most serious cases, falling out of the housing system altogether and become homeless. Once homeless, regaining stable housing is even more difficult.

Because most of us enjoy good housing that we can afford in neighborhoods of our choice, we take housing for granted and find it difficult to empathize with people with housing problems. However, we all tacitly know how central our housing is to our physical and emotional well-being, to our ability to fulfill our family obligations, and to our capacity to do our jobs. Imagine not having a regular and safe home. How well would any of us do at what is expected of us in the absence of the security, respite, comfort, and sanctuary that our homes provide?

Thank you for the opportunity to testify today. We are looking forward to working with the Committee on S. 1248, the National Affordable Housing Trust Fund Act.

PREPARED STATEMENT OF EMMANUEL LANE

A WORKING PARENT—RESIDENT OF SHARING AND CARING HANDS
MINNEAPOLIS, MINNESOTA

MAY 15, 2002

My name is Emmanuel Lane. I am married and I am the proud father of five children. In fact, my wife gave birth to our first son 6 weeks ago, Monday, April 9. Unfortunately, despite the fact that I am working full-time, my family is homeless. I am here today to share my story in the hopes of providing a greater understanding of the situation facing many people in Minnesota and across the country.

I want to take some time quickly to thank Mary Jo Copeland and Patrick Ness. Mary Jo Copeland is the Founder and Director of Sharing and Caring Hands. Patrick Ness is the Housing Manager at Mary's Place. Both have been inspirational in my involvement with the issue of affordable housing. My family has been staying at Mary's Place transitional housing since January 28, 2002. The time spent in this transitional housing unit has benefited my wife and I, as well as our family. Here we have rested our spirits and begun saving money to put toward a house. A hundred families like ours do this everyday at Mary's Place. Everyone needs shelter, but unfortunately even working families cannot afford it. We did not want to be homeless. Thankfully Mary Jo Copeland built a transitional housing unit to house families like ours. Mary's Place has played a vital role in my family's, and many other family's, struggle to find affordable housing. Mary Jo now has a new vision and is trying to build a children's home in Eagan, Minnesota. The children's home will house up to 200 lost and abused kids.

As I mentioned I am married and have five children. My oldest child is 10 years old and my youngest child is officially 6 weeks and 2 days today. I am a former

U.S. Marine. I served in the Marines from 1983 to 1987. I worked in social services at Catholic Charities from 1990 to 2000. I left Catholic Charities to take a job as Youth Manager at the Division of Indian Work. My wife also worked full-time at the Division of Indian Work. My wife and I, and our four children had been living in a one-bedroom apartment in Minneapolis for close to 3 years. We were very crowded, but given our income, this was all that we could afford. Our landlord was sympathetic to our situation and allowed us to live there in spite of concerns about over-crowding. However, when our landlord sold the building in July 2001, our new landlord said that he simply could not risk it, and asked us to be out in 30 days. My wife and I looked for another apartment in Minneapolis, rents for three-bedroom apartments averaged $1,100/month. We simply could not afford this.

My wife and I decided to move to Mankato. My wife's aunt worked for the county there and she had been able to find housing through a grant program. My family stayed with her for a couple of weeks, however, we left because we were afraid of causing trouble for her because there were so many of us in her house. I then applied for assistance through the Homeless Veteran's Program in Mankato. The Veteran's Program gave us a voucher to stay in a motel for 1 month while I continued to look for an apartment and work. We were lucky and we received a rent subsidy, so we were able to rent an apartment and only pay 30 percent of our income. Unfortunately, I was unable to find work earning more that $7.50/hour. This was clearly not going to be enough to support my family.

In December 2001, my brother told me that the school bus company that he was working for was looking for drivers. I applied for a job and got a full-time work driving for this company. At first I commuted every morning from Mapletown (a small town about 20 minutes south of Mankato where we were living). This meant getting up at 4:00 a.m., arriving in Minneapolis at approximately 6:00 a.m. Driving until the break at around 11:00 a.m., then picking the kids up after school. I also took an additional shift driving kids who participated in after-school events. I usually would arrive home in Mapletown around 9:00 p.m. We realized that this was putting too many miles on our car, so I began staying with my brother during the week and then driving back to my family on the weekends.

My wife and I decided that this separation was not working because our kids are so young and they need both parents. My wife and kids moved back to Minneapolis in January. We stayed briefly with different relatives, but all of our relatives were in apartments that were already over-crowded. On January 28, 2002, we moved into Mary's Place. I am working to save money to try to find a place for my family.

I hope that my story helps to demonstrate the kinds of struggles facing working families.

Thank you.

NATIONAL HOUSING TRUST FUND CAMPAIGN
LIST OF ENDORSEMENTS

2,302 ENDORSEMENTS OF A NATIONAL HOUSING TRUST FUND

2,194 local, state and national organizations; 24 local governments; 40 elected officials; 31 national religious leaders; 13 editorials as of May 15, 2002.

27 National Organizations Sponsoring the National Housing Trust Fund Campaign*
**Providing staff time to the campaign*

ACORN (Association of Community Organizations for Reform Now)
American Association of Homes and Services for the Aging
American Planning Association
Center for Community Change
Children's Defense Fund
Child Welfare League of America
Community Action Partnership (formerly National Association of Community Action Agencies)
Corporation for Supportive Housing
The Enterprise Foundation
Housing America
Housing Assistance Council
Local Initiatives Support Corporation (LISC)
Lutheran Office for Governmental Affairs, ELCA
Lutheran Services in America
McAuley Institute
National Alliance for the Mentally Ill
National Alliance to End Homelessness
National Coalition for the Homeless
National Council of La Raza
National Housing Law Project
National Housing Trust
National Low Income Housing Coalition
NETWORK: National Catholic Social Justice Lobby
United Jewish Communities
United States Conference of Catholic Bishops
United Way of America
Volunteers of America

61 National Organizations Supporting the National Housing Trust Fund Campaign
AFL-CIO Housing Investment Trust
Alliance for Children and Families
Alliance to End Childhood Lead Poisoning
American Friends Service Committee
Americans for Democratic Action
The Arc of the United States

Bazelon Center for Mental Health Law
Call to Renewal
Catholic Charities, USA
Catholic Health Initiatives
Center for Neighborhood Technology
Center for Women Policy Studies
Central Conference of American Rabbis
Coalition on Human Needs
Consortium for Citizens with Disabilities Housing Task Force
Council for Affordable and Rural Housing
Development Training Institute
Everywhere and Now Public Housing Residents Organizing Nationally Together (ENPHRONT)
Friends Committee on National Legislation
Habitat for Humanity International
HELP USA
Jewish Women International
Latino Economic Development Corporation
Mennonite Central Committee
Mercy Housing, Inc.
National Affordable Housing Management Association
National Affordable Housing Preservation Associates, Inc.
National AIDS Housing Coalition
National Apartment Association
National Association of Black Social Workers
National Association of Housing Cooperatives
National Black Catholic Evangelization Forum
National Coalition Against Domestic Violence
National Coalition for Asian Pacific American Community Development
National Network to End Domestic Violence
National Committee for Responsive Philanthropy
National Community Action Foundation
National Community Building Network
National Community Land Trust Network
National Congress for Community and Economic Development
National Credit Union Foundation
National Foundation For Affordable Housing Solutions
National Health Care For the Homeless Council
National Housing Law Project
National Law Center on Homelessness and Poverty
National Lawyers Guild
National Leased Housing Association
National Multi Housing Council
National Neighborhood Coalition
National Network for Youth
National Priorities Project
National Puerto Rican Coalition
National Trust for Historic Preservation
Presbyterian Church (USA)
Rainbow/Push Coalition
Religious Leaders National Call for Action on Housing
Research Institute for Housing America
Sierra Club Challenge to Sprawl Campaign
Smart Growth America
Union of American Hebrew Congregations
United Methodist Church, General Board of Church and Society

24 Local Governments Supporting the National Housing Trust Fund Act

State	**Municipality**
Arizona	Town of Guadalupe
California	Board of Supervisors, City of San Francisco
	San Francisco County Board of Supervisors
	Santa Clara County Board of Supervisors
Florida	Broward County Board of Commissioners
	Manatee County School Board
Louisiana	Terrebone Parish Council

Maine	Auburn City Council
	Portland City Council
Minnesota	Hennepin County
	Minneapolis City Council
New York	Village of Hempstead
North Dakota	Fargo City Commission
Oregon	City of Hillsboro
	Portland City Council
Rhode Island	Bristol Town Council
	New Shoreham Town Council
	Town of South Kingstown
South Carolina	Myrtle Beach City Council
Texas	Alamo Area Council of Governments
Vermont	City of Burlington
Wisconsin	City of Madison
	City of Milwaukee
	Dane County

40 Elected Officials Supporting the National Housing Trust Fund Act

State	Elected Official
California	Mayor Willie Brown, San Francisco
Massachusetts	Mayor Thomas M. Menino, Boston
Maine	Councilman Tom Kane, Portland
Minnesota	Mayor R. T. Rybak, Minneapolis
North Dakota	Mayor Bruce W. Furness, Fargo
Ohio	Councilwoman Charleta B. Tavares, Columbus
Oregon	Mayor Robert Drake, Beaverton
	Mayor Charles Becker, Gresham
	Mayor Vera Katz, Portland
	City Councilor David Kelly, Eugene
	City Councilor Karl W. Rohde, Lake Oswego
	City Councilor Brian Newman, Milwaukie
	City Commissioner Jim Francesconi, Portland
	City Commissioner Charlie Hales, Portland
	City Commissioner Dan Saltzman, Portland
	City Commissioner Erik Sten, Portland
	Metro Councilor Rex Burkholder, Portland
	Multnomah County Commissioner Serena Cruz - District 2
	Multnomah County Commission Chair, Diane M. Linn
	State Senator Ryan Deckert - District 4
	State Representative Deborah Kafoury - District 43
	State Representative Jan Lee - District 51
	State Representative Jeff Merkley - District 47
Rhode Island	Mayor John O'Leary, Cranston
	Mayor Scott Avedisian, Warwick
Texas	City Councior Irene Favila, Plainview
Wisconsin	Alderwoman Kathy Great, Appelton
	Alderman Tim Bruer, Madison
	Alderman Steve Holtzman, Madison
	Alderman Todd Jarrell, Madison
	Alderman Kent Palmer, Madison
	Alderman Gary Paulson, Madison
	Alderman Matt Sloan, Madison
	Alderman Mike Verveer, Madison
	Alderman Robert Donavan, Milwaukee
	Alderman Paul Henningson, Milwaukee
	Alderman Marvin Pratt, Milwaukee
	Supervisor Echnaton Vedder, Dane County
	Supervisor Kathy Arciszewski, Milwaukee County
	Supervisor Bill Skiba, Racine County

23 National Religious Leaders Supporting the National Housing Trust Fund Act

Reverend A. Roy Medley, General Secretary, **American Baptist Churches U.S.A.**
Mary Ellen McNish, General Secretary, **American Friends Service Committee**
Dr. Nedzib Sacerbey, Secretary and Acting Executive Director, **American Muslim Council**

Reverend Ken Sehested, Executive Director, **Baptist Peace Fellowship of North America**
Sibylle Sholz, Ph.D., Executive Director, **Buddhist Peace Fellowshp**
Reverend Judy Mills Reimer, General Secretary, **Church of the Brethren**
Reverend Ted Keating, sm, Executive Director, **Conference of Major Superiors of Men's Institutes**
Bishop Mark S. Hanson, Presiding Bishop, **Evangelical Lutheran Church in America**
Bishop Dimitrios of Xanthos, Ecumenical Officer, **Greek Orthodox Archdiocese of America**
Sister Carole Shinnick, ssnd, Executive Director, **Leadership Conference of Women Religious**
Barbara Garavalia, President/Susan Muskett, Executive Director, **National Council of Catholic Women**
Reverend Dr. Robert W. Edgar, General Secretary, **National Council of the Churches of Christ in the U.S.A.**
Sister Kathy Thornton, rsm, National Coordinator, **NETWORK: A Catholic Social Justice Lobby**
His Beatitude, Metropolitan Theodosius, Archbishop of Washington, Primate, **Orthodox Church in America**
Rabbi Reuven Hammer, President, **Rabbinical Assembly**
Rabbi David Saperstein, Director, **Religious Action Center of Reform Judaism**
Archbishop Mar Cyril Aphrem Karim, Archdiocese of the **Syriac Orthodox Church of Antioch**
Rabbi Eric Yoffie, President, **Union of American Hebrew Congregations**
Reverend William G. Sinkford, President, **Unitarian Universalist Association**
Imam Iftekhar Hai, Executive Director, Interfaith Relations, **United Muslims of America**
Dr. Shafi Refai, President, **United Muslims of America**
Jim Winkler, General Secretary, General Board of Church and Society, **United Methodist Church**
Cardinal Theodore McCarrick, Archbishop of Washington, Domestic Policy Committee Chair, **U.S. Conference of Catholic Bishops**

Additional Promient Religious Leaders
Bishop Jane Holmes Dixon, Episcopal Diocese of Washington, D.C
Cardinal Francis George, Archdiocese of Chicago
Cardinal Bernard Law, Archbishop of Boston
Bishop Michael W. Creighton, Episcopal Diocese of Central Pennsylvania, Harrisburg
Bishop Robert J. Baker, Diocese of Charleston
Bishop David A. Donges, South Carolina Synod, Evangelical Lutheran Church in America, Columbi
Bishop Wendell N. Gibbs, Jr., Episcopal Diocese of Michigan, Detroit
Reverend Dr. Jeffrey Haggray, Executive Director, D.C. Baptist Convention

13 Editorials Supporting the National Housing Trust Fund Act

State	Publication
California	Bayview Newspaper (Nov. 22, 2001)
	Poor Magazine (Nov.15, 2001)
Colorado	Denver Post (June 29, 2001)
Maine	Portland Press Herald (July 30, 2001)
Massachusetts	Boston Globe (Oct.15, 2001)
Missouri	St. Louis Post-Dispatch (Oct. 4, 2000)
	St. Louis Post-Dispatch (Jan. 2, 2001)
	St. Louis Post-Dispatch (Feb. 9, 2001)
	St. Louis Post-Dispatch (July 9, 2001)
New Jersey	The Star-Ledger (May 15, 2002)
Ohio	Lorain Morning Journal (Oct. 8, 2001)
Washington	Seattle Post-Intelligencer (Aug. 2, 2000)
	Seattle Post-Intelligencer (Nov. 12, 2000)

2,106 State and Local Organizations Supporting the National Housing Trust Fund Campaign from 50 states, The District of Columbia, and Puerto Rico

State	Organization
Alabama	AIDS Alabama, Inc.
	Alabama Arise, Birmingham Southern Chapter
	Alabama Council on Human Relations
	Altheia House
	Arise Citizens' Policy Project
	Bay Area Food Bank
	Birmingham Health Care
	Catholic Social Services
	Christian Mission Centers, Inc.
	Christian Service Mission
	Church of the Reconciler
	Community Action Agency of BECCM Counties
	The Community Free Clinic
	Faith Foundation, Inc.
	Franklin Memorial Primary Health Center

	Homeless Coalition of Mobile, Inc.
	Housing Authority of the City of Opelika
	Huntsville/Madison County Mental Health Center
	Indian Rivers Mental Health Center
	Legal Services of North-Central Alabama, Inc.
	Metropolitan Birmingham Services for the Homeless
	Neighborhood Services, Inc.
	New Futures, Inc.
	The Pathfinder, Inc.
	The Service Center of Catholic Social Services
	Volunteers of America Southeast, Inc.
	YWCA Bread & Roses
Alaska	Alaska Mental Health Board
	Alaska Mental Health Consumer Web and Clubhouse
	Alaska Psychiatric Institute
	Rural Alaska Community Action Program
	Southcentral Counseling Center
Arizona	City of Casa Grande, Department of Housing and Revitalization
	Arizona Community Action Association
	Comite de Bien Estar, Inc.
	Dineh Cooperatives, Inc.
	Economic Development for Apache County (EDAC)
	Forgach House Domestic Crisis Shelter
	Grand Vista, Inc.
	Housing America Corporation
	Housing for Mesa, Inc.
	Interfaith Coalition for the Homeless, Inc.
	The Life Rebuilder Group
	Northern Arizona Council of Governments
	Phoenix ACORN
	Pima County Community Action Agency
	PPEP Micro-business and Housing Development
	The Primavera Foundation
	Tucson Planning Council for the Homeless
Arkansas	ABC Consultants
	The Arc of Arkansas
	Arkansas Coalition Against Domestic Violence
	Arkansas Dept. of Education/Office of McKinney-Vento Education for Homeless Children &
	Community Action Program for Central Arkansas
	Crowley's Ridge Development Council, Inc.
	Delta Community Development Corporation
	ECS Planning and Management Services, Inc.
	Good Faith Fund
	Lee County Community Development Corporation
	Lighthouse Outreach, Inc.
	Little Rock ACORN
	Walnut Street Works, Inc.
California	A Community of Friends
	Affordable Housing Network of Santa Clara County
	African Community Resource Center
	Air Transport Employees Union 1781
	Alameda County Children & Families Commission
	Alexander Tenants Association
	Alliance for a Better District 6
	Almond Court, Inc.
	Amalgamated Transit Union 1225
	Amalgamated Transit Union 1555
	Amalgamated Transit Union 1575
	Amassi, Inc.
	American Federation of Government Employees 1923
	American Federation of Government Employees 2391
	American Federation of Musicians 6
	American Federation of State and County Municipal Employees 829
	American Federation of State and County Municipal Employees 3299
	American Federation of Television and Radio Artists

American Guild of Musical Artists
American Postal Workers Union, San Francisco Local
A. Philip Randolph Institute, San Francisco Chapter
The Arc of California
Asian American Federation of Union Members
Asian & Pacific Islander Institute on Domestic Violence
Asian Pacific American Labor Alliance
Asian Pacific Self-Development & Residential Association
Association of Flight Attendants, Council 11
Bakers Union 24
Bay Area S.E.I.U. Joint Council 2
Bay Cities Metal Trades Council
Bay Counties District Council of Painters
Benicia Community Action Coalition
Bernal Heights Neighborhood Center
Beyond Shelter
Bridge, Structural, Ornamental and Reinforced Iron Workers 377
Building Opportunities for Self-Sufficiency
Burbank Housing Development Corporation
California Affordable Housing Law Project
California Coalition for Rural Housing
California Faculty Association, San Francisco State Chapter
California Housing Integration Set Aside
California Housing Law Project
California Housing Partnership Corporation
California Reinvestment Committee
California State Employees Association 1000
California State Employees Association DLC 745
Campesinos Unidos, Inc.
Carpenters Union 22
Carpenters Union 2236
Carpet Layers Union 12
CASA Familiar, Inc.
CHAM First Christian Church
City of Oakland Community & Economic Development
Coach Valley Housing
The Coalition Against Homelessness
Coalition for Ethical Welfare Reform
Coalition of Labor Union Women, SF Chapter
Coalition of Neighborhood Councils
Coalition on Homelessness, San Francisco
Coalition on Homelessness, Stanislaus County
Communications Workers of America 9410
Communications Workers of America 9415
Community Build, Inc.
Community Economics, Inc.
Community Homeless Alliance Ministry
Community Housing Improvement Program
Community Housing Opportunities Corporation
Community Resource Associates, Inc.
Compass Services Staff
Conference of Newspaper Unions
Congress of California Seniors
Contra Lostra County Community
Council of Community Housing Organizations
Day Laborers Program
District 1, PCD, MEBA
District 6 Sentinel
Dunbar Economic Development Corporation
DrawBridge: An Arts Program for Homeless Children
East Bay Asian Local Development Corporation
East Bay Housing Corporation
East Oakland Community Development Corporation
EASY ACCESS
Ecumenical Association for Housing (EAH, Inc.)

Ecumenical Council of San Diego County
Elevator Constructors Union 8
Emergency Services Network
Engineers and Scientists of California 21
Engineers and Scientists of California 20
Esperanza Community Housing Corporation
Evelyn & Walter Haas, Jr. Fund
Fair Housing Council of San Diego
Federation of Retired Union Members
Gardner Family Health Network, Inc.
Glass, Molders, Pottery and Plastics and Allied Workers 164-B
Glaziers and Glass Workers 718
Graphic Communications Int'l Union 388
Graphic Communications Int'l Union 583
Gubb & Barshay Law Offices
Harvest for the Hungry
Heat and Frost Insulators & Asbestos Workers 16
Heschong Mahone Group
Home and Community, Inc.
Home Buyer Assistance Center
Homeless Prenatal Program
Homeless Writers Coalition
Homes Not Jails
Hotel Employees & Restaurant Employees 2
Housing and Community Development
Housing Authority of the City of Santa Barbara
Housing Authority of the County of San Joaquin
Housing California 2000
Housing Rights, Inc.
Independent Living Center of San Gabriel/Pomona Valley
Inlandboatmen's Union of the Pacific
International Association of Machinists 1213
International Brotherhood of Electrical Workers 6
International Brotherhood of Electrical Workers 45
International Brotherhood of Electrical Workers 1245
International Brotherhood of Electrical Workers 1269
International Brotherhood of Metal Polishers 128
International Federation of Professional and Technical Engineers 49
International Longshore & Warehouse Union 5
International Longshore & Warehouse Union 10
International Longshore & Warehouse Union 34
International Organization of Masters, Mates & Pilots, Pacific Maritime Region
International Photographers Guild 600
INNvision
Kenneth Arms Tenant Association
Labor Council for Latin American Advancement
Laborers International Union 261
La Raza Centro Legal
Leather, Plastics & Novelty Workers 31
Legal Aid San Diego
Livable Places
Los Angeles ACORN
Los Angeles Coalition to End Hunger and Homelessness
Los Angeles Community Design Center
Los Angeles Housing Law Project
Machinists Automotive Trades District Lodge 190
Marin Housing Council
Marine Firemen & Oilers Union
Maritime Trades Port Council
Mental Health Association of San Francisco
Mercy Housing California- San Francisco
Mercy Housing California - West Sacramento
Mission Anti-Displacement Coaltion
Mortuary Employees Union
Moving Picture Machine Operators 166

National Alliance for the Mentally Ill- South Santa Barbara County
National Association of Broadcast Employees and Technicians 51
National Association of Letter Carriers, Golden Gate Branch 214
National Housing Law Project
National Writers Union Bay Area 3
Nehemiah Corporation of California
Neighborhood Housing Services Silicon Valley
Neighborhood Partnership of Montclair, Inc.
Newspaper & Periodical Drivers and Helpers 921
Newspaper & Periodical Venders and Distributors 465
Non-Profit Housing Association of Northern California
Northern California Allied Printing Trades Council
Northern California Carpenters Regional Council
Northern California District Council ILWU
Northern California Mailers Union IBT 15
Northern California Media Workers 39521
O.N.E. Company
Oakland ACORN
Office of Hispanic Ministry
Office and Professional Employees 3
Office and Professional Employees 29
Operating Engineers 3
Orange County Community Housing Corporation
Painters Union 4
Palo Alto Housing Corporation
Peninsula Auto Machinists 1414
People's Budget Collaborative
People's Self Help Housing Corporation
Petaluna Ecumenical Properties
Placer County Housing Authority
Plasterers & Shophands 66
Plumbers & Steamfitters 38
People Organizing to Demand Environmental & Economic Rights (PODER)
POWER
Pride at Work
Project New Hope
Religious Witness with Homeless People
Resources for Independent Living
Resources for Rural Community Development
Roofers, Waterproofers, and Allied Workers, Local 40
Rural California Housing Corporation
Rural Community Assistance Corporation
Sacramento ACORN
Sacramento Homeless Organizing Committee
Sacramento Housing Alliance
Sacramento Housing & Redevelopment
Sacramento Mutual Housing Association
Sailors' Union of the Pacific
San Diego ACORN
San Diego Housing Coalition
San Diego Housing Federation
San Diego County Alliance of Tenants
San Francisco Archdiocese Federation of Teachers 2240
San Francisco Bar Pilots
San Francisco Community College Teachers 2121
San Francisco Fire Fighters 798
San Francisco Foundation
San Francisco Independent Media
San Francisco Labor Council
San Francisco Living Wage Coalition
San Francisco Paper Handlers 24-H
San Francisco Tenants Union
Sanitary Truck Drivers 350
San Jose ACORN
Santa Barbara Community Housing Corporation

Santa Clara County Collaborative on Affordable Housing
Santa Clara County Social Services Agency
Screen Actors Guild
Seafarers International Union
Second Samoan
Section 8 Program
SEIU Health Care Workers 250
Self-Help Enterprises
Service Employees Union 1877
Service Employees Union 535
Service Employees Union 750
Service Employees Union 790
Service Employees Union 87
San Francisco Building and Construction Trades Council
Sheet Metal Workers 104
Shelter for the Homeless
Shelter, Inc.
Shelter Partnership, Inc.
Shipyard & Marine Shop Laborers 856
Sign, Display and Allied Crafts 510
Silicon Valley Manufacturing Group
Sisters of Mercy
Skid Row Housing Trust
Sober Housing
South County Housing
Southern California Association of Non-Profit Housing
SRO Housing Corporation
State Employees Trades Council 1268
Statewide California Coalition for Battered Women
Stationary Engineers 39
St. Joseph Health System
St. Vincent de Paul Village, Inc.
Teamsters & Auto Truck Drivers, IBT 35
Teamsters Automotive Employees, IBT 665
Teamsters Joint Council #7
Teamsters Union 856
Tenants Association of Rancho Cordova
Tenant Associations Coalition of San Francisco
Tenant Associations of Rancho Arms
Tenderloin Neighborhood Development Corporation
Theatrical Employees Union B-12
Theatrical Federation of San Francisco
Theatrical Wardrobe Union 784
Transitional Living & Community Services
Transport Workers 200
Transport Workers 250-A
Transport Workers Union of America California State Conference
Tri-City Homeless Coalition
United Auto Workers 2103
United Auto Workers 2350
Union Label Section
Union of American Physicians and Dentists 206
UNITE 1089
UNITE Pacific Northwest District Council
UNITE Western Regional Joint Board
United Administrators of San Francisco, AF9A 3
United Educators of San Francisco, AFT Council
United Farm Workers of America, San Francisco
United Food and Commercial Workers 101
United Food and Commercial Workers 428
United Food and Commercial Workers 648
United Steelworkers Union 1304
University of San Francisco Faculty Association 4269
University Professional and Technical Employees 9119
U.S. Bank

	Vallejo Neighborhood Housing Services
	Vivienda y Salud/Oldtimers Foundation
	Watts/Century Latino Organization
	Web Pressmen/Pre-Press Workers Union 4N
	West Hollywood Community Housing Corporation
	William W. Pettus Architecture
	Window Cleaners Union 44
Colorado	Catholic Charities-Western Slope
	City of Colorado Springs Community Development Unit
	Colorado Affordable Housing Partnership
	Colorado Coalition for the Homeless
	Colorado Rural Housing
	Denver ACORN
	The Energy Office
	Greccio Housing Opportunity Center
	Hope Communities, Inc.
	Lutheran Office of Government Ministry - Colorado
	Mercy Housing Southwest
	Metro CareRing
	NEWSED Community Development Corporation
	Northern Colorado Social Legislation Network of Catholic Charities
	Pikes Peak Community Action Agency
	Revitalizing & Empowering Through Architecture
	Rocky Mountain Mutual Housing Associaton, Inc.
	Sacred Heart House of Denver
	SOS & Core Coalition
	Southwest Colorado Cross Disability Coalition
	Southwest Neighborhood Housing
	St. Francis Center, Denver
	St. Francis Center, Littleton
	Thistle Community Housing
	The Uptown Partnership, Inc.
	Warren Village
	West Central Housing Development Organization
Connecticut	Alderhouse Residential Communities
	Bethsaida Community, Inc.
	Bridgeport ACORN
	Bridgeport Neighborhood Fund
	Broad Park Development Corporation
	Bristol Community Organization
	Christian Activities Council
	Chrysalis Center, Inc.
	Columbus House, Inc.
	The Community Builders
	Community Renewal Team
	Congregation Beth El, Fairfield
	Connecticut AIDS Residence Coalition, Inc.
	Connecticut Coalition to End Homelessness
	Connecticut Housing Coalition
	Connecticut Housing Investment Fund, Inc.
	Co-op Initiatives, Inc.
	Corporation for Independent Living
	Employment Success Program
	Fair Haven Development Corporation
	Fair Haven Housing Initiative
	Greater Dwight Development Corporation
	Greater Hartford Legal Assistance
	The Greater New Haven Community Loan Fund
	Habitat for Humanity of Greater Bridgeport
	Hill Housing
	The Hollow Community Development Corporation
	HOME, Inc.
	Housing Education Resources Center, Inc.
	Legal Assistance Resource Center of Connecticut
	Martin House, Inc.

Mercy Housing and Shelter Corporation
Mutual Housing Association of Greater Hartford
Mutual Housing Association of South Central Connecticut
Mutual Housing Association of South West Connecticut
Nehemiah Housing
Neighborhood Housing Services of Waterbury
NEON, Inc.
New Neighborhoods, Inc.
New Samaritan Corporation
ONE/CHANE, Inc. (Organized North Easterners/Clay Hill and North End)
Operation Hope of Fairfield, Inc.
Partnership for Strong Communities
Real Estate Solutions
Regional Housing Rehabilitation Institute of Connecticut
Sand Corporation
Sheldon Oak Central, Inc.
Shore Area Community Development Corporation
Sisters of St. Chretienne
South Hartford Initiative
St. Luke's Life Works
St. Timothy's Episcopal Church parish
Thames River Community Service, Inc.
Washington Park Associaton
West Hartford Interfaith Housing Coalition

Delaware

Alliance for the Mentally Ill, Delaware (AMID)
The Arc of Delaware
Delaware Housing Coalition
Delaware State Wide Association of Tenants
Delmarva Rural Ministries, Inc.
Eastside/Southbridge New Millenium Community Development Corporation
First State Community Action Agency
Holy Family Parish Social Concerns Committee
Latin American Community Center Development Corporation, Inc.
Ncall Research, Inc.
Newark Housing Authority
Peoples Settlement Association
Saint Helena's Journey to Justice
United Communities Federal Credit Union
YWCA, Wilmington
Whatcoat Social Services Agency

District of Columbia

Access Housing, Inc.
Bread for the City
Building Futures, Inc.
Campaign for Migrant Domestic Workers Rights
Christ House
City on a Hill Family Development Initiative
Coalition for the Homeless
Coalition for Nonprofit Housing & Economic Development
Coates and Lane Enterprises, Inc.
Community Council for the Homeless at Friendship Place
Community Family Life Services
The Community Partnership for the Prevention of Homelessness
Deputy Mayor's Office for Planning and Economic Development
Families Forward
Gospel Rescue Ministries
Hantz Chaplin Associates, LLC
Jobs Have Priority (JHP, Inc.)
Jubilee Enterprise of Greater Washington
Manna, Inc.
Miriam's House, Inc.
Mount Carmel House
My Sister's Place
Neighbors Consejo
New Endeavors by Women
Project Hope

Rachael's Women's Center
Sasha Bruce Youthwork, Inc.
So Others Might Eat
South Washington Collaborative
St. Mary's Court
Terrific, Inc.
United Church of Christ
Washington Legal Clinic for the Homeless
Washington Regional Network for Livable Communities
Women Empowered Against Violence, Inc.

Florida

1000 Friends of Florida
Adopt-A-Family of the Palm Beaches, Inc.
All Faiths Food Bank
Another Way, Inc.
The Aravot Company LLC
Ascension Catholic Church-Social Concerns
Assisted Home Concepts
Benedict Haven, Inc.
Broward Coalition for the Homeless
Cape Coral Housing Rehabilitation & Development Corporation
Capital Area Community Action Agency
Carrfour Corporation
The Center for Affordable Housing, Inc.
Charlotte County Homeless Coalition
Circles of Care, Inc.
City Rescue Mission
Coalition for the Homeless of Central Florida, Inc.
Coalition for the Hungry and Homeless of Brevard County, Inc.
Community Equity Investment, Inc.
Consumer Credit Counseling Service
Crosswinds Youth Services
Cypress Housing, Inc.
Emergency Services & Homeless Coalition of St. Johns County, Inc.
Florida ACORN
Florida Association of Homes for the Aging
The Florida Black AIDS Network
Florida Coalition for the Homeless
Florida Housing Coalition
Florida Housing Finance Corporation
Florida Keys Outreach Coalition, Inc.
Florida Legal Service, Inc.
Florida Network of Youth & Family Services
Florida Non-Profit Housing, Inc.
Grand Avenue Economic Community Development Corporation
Grants and Affordable Housing Advisory Committee
HELP Ministry
His Place Ministries
The Homeless Coalition of Palm Beach County, Inc.
Homeless Services Network of Central Florida
Housing & Community Development Corporation, Inc.
Housing Partnership, Inc.
Interfaith Emergency Services, Inc.
Job Development Corporation
Keystone Challenge Fund
Lake Community Actions Agency, Inc.
Liberty Center Housing Association
Making WAGES Work
Mending Hearts Charities, Inc.
Miami Coalition for the Homeless
M.I.S.S., Inc.
Mortgage and Credit Center
Neighborhood Lending Partners, Inc.
Office of Justice and Peace, Diocese of Augustine
Polk County Opportunity Council, Inc.
Pregnancy Crisis Careline, Inc.

	Project HEART
	The Salvation Army Citrus County
	Sarasota YMCA
	Society of St. Vincent de Paul
	South Florida Community Development Coalition
	Southernmost Homeless Assistance League, Inc.
	Southwest Florida Addiction Services
	Southwest Florida Coalition for the Homeless
	Space Coast Habitat For Humanity, Inc.
	St. Johns Housing Partnership
	St. Petersburg Employment & Economic Development Corporation
	Tampa Bay Community Development Corporation
	Treasure Coast Regional Planning Council
	The Venice Foundation
	United Community Development, Inc.
	United Way of Charlotte County
	YMCA Children's Services
Georgia	Aid Atlanta, Inc.
	Albany-Dougherty Coalition to End Homelessness
	Atlanta Neighborhood Development Partnership
	Augusta Task Force for the Homeless, Inc.
	Baitul Salaam Network, Inc.
	Chatham-Savannah Authority for the Homeless
	Cobb Human Services Coalition, Inc.
	Community Action for Improvement, Inc.
	Domestic Violence Intervention Center
	Exchange & Family Resource Center
	Fayette County Council on Domestic Violence
	Flint Circuit Council on Family Violence
	Fulton County Office of Children & Youth
	Gateway House, Inc.
	Georgia Coalition to End Homelessness, Inc.
	Georgia Community Development Association
	Georgia Coalition Against Domestic Violence
	Georgia Employee Federation
	Gwinnett Housing Resource Partnership, Inc.
	Harvest Outreach Centers, Inc.
	The Haven, Valdosta
	Haven, Inc., Albany
	Interfaith, Inc.
	Interfaith/Troy Street Community Development Corporation
	J. D. Lewis and Associates
	Macon Coalition to End Homelessness, Inc.
	Mercy Housing Southeast
	Metropolitan Columbus Task Force for the Homeless
	The Middle House, Inc.
	Northeast Georgia Homeless Coalition, Inc.
	Northwest Georgia Family Crisis Center
	Northwest Georgia Homeless Coalition
	Partnership Housing Affordable to Society Everywhere, Inc.
	Peace Place, Inc.
	Progressive Redevelopment, Inc.
	Project South: Institute for the Elimination of Poverty & Genocide
	The Redistribution Alternative
	South Central Georgia Task Force for the Homeless, Inc.
	Task Force for the Homeless- Atlanta Metro
	Union for the Homeless
Hawaii	Affordable Housing Alliance
	Self-Help Housing Corporation of Hawaii
	Waimaha / Sunflower Residents Association, Inc.
daho	Boise City / Ada County Housing Authority
	Campaign for Housing Justice
	Community Action Agency
	Eastern Idaho Special Service Agency
	El-Ada Community Action

Helping Hand, Inc.
Idaho Campaign for Housing Justice
Idaho Community Action Agency
Idaho Migrant Council
Mercy Housing- Idaho
Southeastern Idaho Community Action Agency
St. Vincent de Paul
Washington Group Foundation, Inc.
Woodbury County Community Action Agency
United Manufactured/Mobile Home Owners & Residents Association, Inc.

Illinois

The Arc of Peoria
BCMW Community Services
Benedict Haven, Inc.
Bethel New Life, Inc.
Bickerdike Redevelopment Corporation
Business & Professional People in the Public Interest
Center for Neighborhood Technology
The Chicago Coalition for the Homeless
Chicago Community Development Corporation
Chicago Mutual Housing Network
Chicago Rehab Network
Citizens for the Future, Inc.
C.E.F.S. Economic Opportunity Corporation
Claretian Associates, Inc.
Committee for New Priorities
Deborah's Place
Economic Youth Center for Economic Recovery
Embarras River Basin Agency, Inc.
Evanston Neighborhood Conference
Franciscan Ministries, Inc.
Genesis Housing Development Corporation
Good Will Senior
Groworks, Inc.
Gamaliel Senior Staff
Homeless on the Move for Equality
HomeSight
Hope Fair Housing Center
Housing Helpers
Illinois Coalition to End Homelessness
Illinois Community Action Association
Illinois Hunger Coalition
Illinois/Iowa Center for Independent Living
Interfaith Housing Center of the Northern Suburbs
Jane Addams Resource Corporation
Jane Addams Senior Caucus
Jewish Council on Urban Affairs
Jewish Federation of Metropolitan Chicago
Kane County Chapter of the Coalition of Citizens with Disabilities
Lakefront Community Organization
Lakefront Single Room Occupants Corporation
Lakeview Action Coalition
Lawrence Hall Youth Services
League of Women Voters of Chicago
League of Women Voters of Illinois
Logan Square Neighborhood Association
Lutheran Advocacy Network of Illinois
Mastroianni Consulting
Metropolitan Housing Development Corporation
Metropolitan Tenants Organization
NAMI of Greater Chicago
Northwest Tower Residents Association
Project Now, Inc.
Protect Public Housing
Protestants for the Common Good
The Renaissance Collaborative, Inc.

	Resurrection Project
	Shelter Care Ministries
	Sisters of St. Joseph of La Grange, Peace & Justice
	Swanee Development Council, Inc.
	Shore Bank
	Southern Illinois Coalition for the Homeless
	South Suburban Pads
	Statewide Housing Action Coalition
	St. James Lutheran Church Luther League
	Supportive Housing Providers Association of Illinois
	United Congregations of Metro-East
	Volunteers of America of Illinois
	Voorhees Neighborhood Center
	Woodlawn Development Associates
	Woodlawn East Community and Neighbors (W.E.C.A.N.)
	YMCA Women's Shelter
	Wheaton Franciscan Sisters
Indiana	Blackburn Terrace Resident Management Corporation, Inc.
	BOS Community Development Corporation
	Community Action Program, Inc. of Western Indiana
	Community Alliance of the Far-Eastside
	Community Action of Northeast Indiana, Inc.
	Concord Community Development Corporation
	Eastside Community Investment, Inc.
	Ekhart Housing Partnership, Inc.
	Green Acres, Inc.
	Hammond Housing Authority
	Haven House Services, Inc.
	Indianapolis Coalition for Neighborhood Development
	Indiana Coalition on Housing and Homeless Issues
	King Park Area Development Center
	LaCasa of Goshen, Inc.
	Mapleton Fall Creek Community Development Corporation
	Martindale Brightwood Community Development Corporation
	Martin Luther King Community Development Corporation
	Monroe County Green Party
	Near North Development Corporation
	Options for Better Living
	Ozanam Family Shelter
	Project Renew
	Redevelopment/Revitalization of the Southside
	Riley Area Revitalization Program
	Scott County Partnership, Inc.
	South Bend Heritage Foundation
	Southeast Neighborhood Development, Inc.
	Southern Indiana Housing Initiative
	Switzerland County Community Housing Development Organination
	United Northwest Area Development Corporation
	United Northeast Community Development Corporation
	Wabash Valley Human Services
	West Indianapolis Development Corporation
	Westside Community Development Corporation
Iowa	Anawim Housing
	Family Crisis Center of North Iowa
	Greater Iowa City Housing Fellowship
	Home, Inc.
	Humility of Mary Housing, Inc.
	Iowa Coalition Against Domestic Violence
	Iowa Coalition for Housing and the Homeless
	Iowa Coalition to End Homelessness
	Iowa Falls Area Development Corporation
	Marion County Habitat for Humanity
	Northeast Iowa Community Action Corporation
	Rural Housing Institute
	Sisters of the Presentation

	Woodbury County Community Action Agency
	Youth and Shelter Services, Inc.
Kansas	Adorers of the Blood of Christ
	Catholic Housing of Wyandotte County
	City Vision Ministries
	El Centro, Inc.
	Homestead Affordable Housing, Inc.
	Housing & Credit Counseling, Inc.
	Kansas Coalition Against Sexual and Domestic Violence
	Kaw Valley Habitat for Humanity
	The Lawrence Alliance
	Mid-Kansas Community Action Program, Inc.
	Neighborhood Housing Services of Kansas City, Kansas
	Nek-amp, Inc.
Kentucky	Appalbank/ Federation of Appalachian Housing Enterprises
	Beattyville Housing and Community Development Corporation, Inc.
	Bell-Whitley Communtiy Action Agency, Inc.
	Boone County Community Action Commission
	Boone County Human Services
	Chrysalis House, Inc.
	The Coalition for the Homeless
	Community Housing, Inc.
	Faith Community Housing Advocacy Program
	Federation of Appalachian Housing Enterprises, Inc. (FAHE)
	First Unitarian Church of Louisville
	Frontier Housing, Inc.
	Gateway Community Services Organization, Inc.
	Grant County Community Action Commission
	Homeless and Housing Coalition of Kentucky
	Housing Auhority of Covington
	Kentucky Alliance Against Racist & Political Repression
	Kentucky Mountain Housing Development Corporation., Inc.
	Lexington Fair Housing Council
	Louisville Tenants Association
	Low Income Housing Coalition of East Kentucky
	Metropolitan Housing Coalition
	National Council of Jewish Women-Louisville Branch
	Northeast Kentucky Area Development Council, Inc.
	North Key Community Care
	Northern Kentucky Housing Homeless Coalition
	The Partnership Center
	People's Self-Help Housing, Inc.
	Phoenix Hill Association
	Sisters of Charity of Nazareth, Kentucky
	Society of St. Vincent de Paul, Council of Lewisville
	United Methodist Women
	Volunteers of America Kentucky, Inc.
Louisiana	Advocacy Committee Of Unity For the Homeless
	Agenda for Children
	Bacatown Community Development Corporation
	Brookstown Community Development Corporation
	Caleb Community Development Corporation
	Capitol Park Community Development Corporation
	Covenant House New Orleans
	Creole Cottage Coalition
	Faubourg St. Roch Community Development Corporation
	The Good Work Network
	H.O.P.E. Community Development Corporation
	Humanities, Inc. Community Development Corporation
	I Can! America
	Louisiana ACORN
	Melrose East Community Development Corporation
	Metropolitan Affordable Housing Council
	Mid-City Community Development Corporation
	Neighborhood Housing Services

	New Life Intracoastal Community Development Corporation
	New Vision Community Development Corporation
	Northlake Community Development Corporation
	Old South Baton Rouge Community Development Corporation
	Scotlandville Community Development Corporation
	SMILE Community Action Agency, Inc.
	Volunteers of America/Baton Rouge
	Volunteers of America/New Orleans
	Volunteers of America, Shreveport
Maine	Bath Housing Authority
	Bangor Housing Authority
	Caribou Housing Authority
	Coastal Enterprises, Inc.
	Community Action Agency of Sommerville, Inc.
	Community Concepts
	Dixiefield Development Corporationporation
	Fort Fairfield Maine Housing Authority
	Freeport Housing Trust
	Genesis Community Loan Fund
	The Housing Foundation
	Maine Affordable Housing Network
	Maine AIDS Alliance
	Maine & New Hampshire Housing Investment Fund
	Maine Association of Interdependent Neighborhoods
	Northern New England Chapter of the American Planning Association
	Penquis Community Action Program, Inc.
	People's Regional Opportunity Program (PROP)
	Planning Decisions Inc.
	Portland Maine Housing Authority
	Portland Organization to Win Economic Rights (POWER)
	Portland West
	Preble St. Resource Center
	R. C. Management
	Sanford Housing Authority
	Southern Maine Agency on Aging
	South Portland Housing Authority
	Sunbury Housing of Maine
	Waldo County Committee for Social Action (WCCSA)
	York Cumberland Housing
Maryland	AIDS Interfaith Residential Services
	Am Kolel Judaic Renewal and Resource Center
	Association for the Study and Development of Community
	Baltimore ACORN
	Baltimore City League of Women Voters
	Baltimore County League of Women Voters
	Baltimore Jewish Council
	Baltimore Sisters of Mercy
	The Center for Poverty Solutions
	Church on the Hill
	Coalition to End Childhood Lead Poisoning
	Community Action Council of Howard County, Inc.
	Community Assistance Newtork, Inc.
	Community Housing Associates
	The Development Corporation of Northwest Baltimore
	Garrett County Community Action Committee, Inc.
	Health Care for the Homeless, Inc.
	Homes For America, Inc.
	Housing Authority of Washington County, Board of Commisioners
	Housing Opportunities Commission of Montgomery County
	Interfaith Housing of Northern Maryland
	League of Women Voters of Maryland
	Maryland Center for Community Development
	Maryland Developmental Disabillities Council
	Maryland Public Interest Research Group (PIRG)
	Montgomery County Coalition for the Homeless

	Montgomery Housing Partnership
	Public Justice Center
	Southern Maryland Tri-Couonty Community Action Council, Inc.
	Tri-Churches Housing, Inc.
	United Ministries, Inc.
Massachusetts	Action for Boston Community Development
	AIDS Housing Corporation
	Allston Brighton Community Development Corporation
	Association of Haitian Women in Boston
	Bedford Housing Trust
	Boston Housing Authority
	Cambridge & Somerville Legal Services Office
	Cambridge Economic Opportunity Committee, Inc.
	Cambridge Expiring Use Tenants Committee
	CAN-DO
	Catholic Social Services
	Central Massachusetts Housing Alliance, Inc.
	Circle Graphics
	Citizens for Adequate Housing, Inc.
	Citizens Housing and Planning Association
	City Life / Vida Urbana
	Coalition for Social Justice
	Community Service Network, Inc.
	Community Teamwork, Inc.
	Department of Mental Retardation, North Shore Area
	Franklin County Regional Housing and Redevelopment Authority
	Friends of Orleans Affordable Homes
	Greater Lawrence Community Action Council, Inc.
	Hampden Hampshire Housing Partnership
	Haverhill Housing Partnership
	Homes for Families
	The Housing Partnership Network
	Jamaica Plain Neighborhood Development Corporation
	Jewish Community Housing for the Elderly
	Just A Start Corporation
	Lower Cape Cod Community Development Corporation
	Lynn Housing Authority and Neighborhood Development
	Massachusetts ACORN
	Massachusetts Association of Community Development Corporations
	Massachusetts Coalition for the Homeless
	Massachusetts Housing and Shelter Alliance
	Massachusetts Law Reform Institute
	Massachusetts Nonprofit Housing Association
	Neighborhood of Affordable Housing
	Oak Hill Communtiy Development Corporation
	Pampered Soles Reflexology
	Pine Street Inn
	Project Hope
	Roofless Women
	Rural Development, Inc.
	Samaritan Inn Shelter
	Shelburne Housing Authority
	Social Action Ministries
	St. Joseph the Worker Shrine, Oblate Social Justice Office
	Technical Assistance Collaborative
	Town of Falmouth, Human Services
	United Way of Massachusetts Bay
	Valley Opportunity Counsel, Inc.
	Washington / Beech Tenant Association, Inc.
	Women's Institute for Housing and Economic Development
Michigan	Alger Marquette Community Action Board
	All Saints Housing, Inc.
	Altrusa Teen SHARE
	Ann Arbor Housing Commission Resident Advisory Board
	The Arc of Michigan

Bagley Housing Association
Cass Corridor Neighborhood Development Corporation
Catholic Social Services of Lansing St. Vincent Home, Inc.
Center for Civil Justice
Central Detroit Christian Community Development Corporation
Chippewa-Luce-Mackinac Community Action Human Resource Authority, Inc.
Church of the Messiah Housing Corporation
City of Lansing, Human Relations and Community Services Department
Community Capital Development Corporation
Community Development Advocates of Detroit
Community and Economic Development Association of Michigan (CEDAM)
Community Services Community Development Corporation
Community Urban Transition, Ltd.
Cooperative Services, Inc.
Core City Neighborhoods
Corktown Consumer Housing Cooperative, Inc.
Detroit Catholic Pastoral Alliance
Eastside Emergency Operational Center
Economic Opportunity Committee of St. Clair County, Inc.
Edison Neighborhood Association
Emmanuel Community House
Freedom Builders Missions
Friends of Welfare Rights
Gogebic-Ontonagon Community Action Agency
Grandmont Rosedale Development Corporation
Grand Rapids Area Housing Continuum of Care
Great Lakes Church of Christ
HOPE Consumer Group
Housing Resources, Inc. of Kalamazoo County
Hubbard Richard Citizens District Council
Islandview Village Development Corporation
Jackson Affordable Housing
Jefferson Avenue Housing Development Corporation
Kalamazoo Northside Non-Profit Housing Corporation
Listening Ear Crisis Center
Living Ways, Inc.
Macomb County Community Services Agency
Mexicantown Commercial Development Agency
Michigan Coalition Against Homelessness
Michigan Housing Trust Fund
Michigan Legal Services
Michigan Neighborhood Partnership
Monroe County Opportunity Program
New Hope Non-Profit Housing Corporation
New Visions for Detroit, Inc.
North Star Community Development Corporation
Northwest Detroit Neighborhood Development, Inc.
Oakland Livingston Human Service Agency
Operation Get Down
Portage Community Outreach Center
Prevailing Community Development Corporation
Residential Opportunities, Inc.
Scared Heart/St. Elizabeth Community Development Corporation
Social Work Institute for Community Life
Souls for Christ Deliverance Center
Southwest Alliance for Neighborhood
Southwest Detroit Business Association
St. Ignatius Nonprofit Housing Corporation
Underground Railroad, Inc.
U-SNAP-BAC
Vanguard Community Development Corporation
Vision Detroit
Washtenaw Housing Alliance
Wayne-Metropolitan Community Action Agency
We Care Non-Profit Housing Corporation

	West Detroit Inter-Faith Community Organization
Minnesota	Anoka County Affordable Housing Coalition
	Arc Minnesota
	Battered Women's Legal Advocacy Project
	Benedictine Sisters of Duluth, MN
	Bring Minnesota Home
	CASH (Community Action for Suburban Hennepin)
	Churches United in Ministry
	Community Action Duluth
	Community Action for Suburban Hennipin
	Community Apartment Program
	Community Home Ownership, Inc.
	Community Neighborhood Housing Services
	Dayton's Bluff Neighborhood Housing Services
	East Metro Women's Council
	Elim Transitional Housing, Inc.
	Family Housing Fund
	First Lutheran Church
	Greater Minneapolis Day Care Association
	HOME Line
	Housing Access Center
	Housing and Redevelopment Authority of Virginia, MN
	Housing Link
	Housing Preservation Project
	Human Services Incorporated
	Intercongregation Communities Association
	International Self-reliance Agency for Women, Inc.
	Jewish Community Action
	Jobs and Affordable Housing Campaign
	Lakes & Pines Community Action Council, Inc.
	Lutheran Social Service of Minnesota
	Lyndale Neighborhood Development Corporation
	Metrowide Engagement on Shelter & Housing
	Midwest Minnesota Community Development Corporation
	Minneapolis Consortium of Community Developers
	Minneapolis Day Care Association
	Minnesota AIDS Project
	Minnesota ACORN
	Minnesota Alliance of Peacemakers
	Minnesota Coalition for the Homeless
	Minnesota Housing Partnership
	Minnesota Housing Resources, Inc.
	Northeast Entrepreneur Fund
	Northeast Metropolitan Coalition for Affordable Housing
	North End Area Revitalization, Inc. (NEAR)
	Northern Communities Land Trust
	Office of Christian Service
	Our Saviors Housing
	Partners for Affordable Housing
	Peace United Church of Christ
	Person to Person
	Project for Pride in Living, Inc.
	Ramsey County Community Human Services
	Residents for Affordable Housing
	Rise, Inc.
	Salvation Army/Harbor Light
	Selby Area Community Development Corporation
	Semcac Community Action Agency
	Simpson Housing Services
	Southside Services
	Spectrum Community Mental Health
	St. Paul Tenants Union
	Theresa Living Center
	The Urban Coalition
	Three Rivers Community Action, Inc.

	Tri-Valley Opportunity Council, Inc.
	Urban Ventures Leadership Foundation
	Victim Services
	Viking Real Estate
	YWCA of St. Paul
	West Bank Community Development Corporation, Inc.
Mississippi	AJFC Community Action Agency, Inc.
	Biloxi Housing Authority
	Central Mississippi, Inc.
	Greater Greenville Development Foundation
	Mississippi Equity Coalition
	Mississippi Housing Coalition
	Quitman County Development, Inc.
	Starkville Housing Authority
	Tunica County Community Development Corporation
	Waynesboro Housing Authority
	We Care Community Services
	Yazoo Community Action, Inc.
	Yazoo County Fair & Civic League
Missouri	Action Protecting Tenant Safety
	Adequate Housing for Missourians
	Almost Home
	AL-PAC, Inc.
	American Friends Service Committee (St. Louis Program)
	Beyond Housing
	BJC Behavioral Health
	Black Economic Union
	Blue Hills Homes Corporation
	Boulevard Tenants Association
	Catholic Charities- Archdiocese of St. Louis
	Citizens for Missouri's Children
	Community Alternatives
	Community Assistance Council
	Community Builders of Kansas City
	Community Development Corporation. of Kansas City
	Council Tower Council
	David H. Jones Ministries
	Doorways, An Interfaith AIDS Residence Program
	East Missouri Action Agency, Inc.
	Equal Housing Opportunity
	Ethical Action Committee
	Fathers' Support Center, St. Louis
	Feed My People Help Center
	Greater Kansas City Housing Information Center
	Hager-Mace & Associates Consulting Services
	Healthy Families, Healthy Homes, Prop. H.
	Helpful Hands
	Homeless Network
	Housing Law Clinic
	Kansas City Rescue Mission
	League of Women Voters of Missouri
	Lutheran Family & Children's Services of Missouri
	McCormack Baron Associates .
	Metropolitan Churches United Pershing
	Missouri ACORN
	Missouri Association For Social Welfare
	Missouri Ozarks Community Action, Inc.
	National Association of Social Workers, Missouri Chapter
	Neighborhood Enterprises
	Northland Neighborhoods
	Old Northeast, Inc.
	Paraquad, Inc.
	Peace & Justice Office of Kansas City/St. Joseph
	People's Health Center, Inc.
	Personal Services Consulting

	Professional Housing Resources, Inc.
	Public Housing Residents Council
	Ripley County Caring Community Partnership
	Rose Brooks Center
	Sanctuary in the Ordinary
	Second Presbyterian Church
	Service Employee International Union- Local 880
	Service Employee International Union- Local 1001
	Service Employee International Union - Local 2000
	Services Toward Empowering People, Inc. (STEP)
	Shell Knob Senior Center Corporation
	Sisters of Loretto
	Sisters of St. Joseph of Carondelet, St. Louis Program
	South Central Missouri Community Action Agency
	St. Louis Campaign for Housing and Jobs
	St. Louis Empowerment Center
	St. Patrick Center
	Twelfth Street Heritage
	Unity Lutheran Church
	Westside Housing Organization
Montana	Coalition of Montanans Concerned with Disabilities
	HomeWORD
	Montana People's Action
	Northwest Montana Human Resources, Inc.
	Opportunties, Inc.
Nebraska	Blue Valley Communtiy Action
	Community Development Coalition, Inc.
	Franciscan Ministries, Inc.
	Grand Island Area Housing Corporation
	High Plains Community Development Corporation and Chadron Youthbuild
	Holy Name Housing Corporation
	Mercy Housing Midwest
	Mercy Services Corporation, Midwest Region
	Mid-Nebraska Community Action
	Nebraska Association of Community Housing Development Organizations
	Nebraska Domestic Violence Sexual Assault Coalition
	Notre Dame Sisters, Omaha Province
	NuStyle Development
	Southeast Nebraska Community Action Council, Inc.
Nevada	Affordable Housing Resource Council
	Citizens for Affordable Homes, Inc.
	Community Development Programs Center of Nevada
	HELP Las Vegas
	ReStart
New Hampshire	Affordable, Housing, Education and Development, Inc.
	American Friends Service Committee - New Hampshire Program
	The Cheshire Housing Trust
	The Concord Area Trust for Community Housing
	The Contoocook Housing Trust
	Fellowship Housing Opportunities
	Greater Nashua Interfaith Hospitality Network
	Harbor Homes, Inc.
	The Housing Partnership
	The Laconia Area Community Land Trust
	Manchester Emergency Housing, Inc.
	Manchester Neighborhood Housing Services
	Maple Manor Residents Association
	Marguerite's Place, Inc.
	Nashua Soup Kitchen & Shelter, Inc.
	Neighborhood Housing Services of Greater Nashua
	New Hampshire Coalition to End Homelessness
	New Hampshire Homeless
	The New Hampshire Nonprofit Housing Network
	New Hampshire Women's Lobby
	Rogers House Residents Association

	Southern New Hampshire Services, Inc.
	Southwestern Community Services, Inc.
	Twin Rivers Community
	Twin Pines Housing Trust
New Jersey	The Apostles' House
	Camden City Division of Planning
	Collaborative Support Programs of New Jersey, Inc.
	Community Action Services
	Community Enterprises Corporation, Inc.
	Corinthian Housing Development Corporation
	CREST Community Development Corporation
	The Crisis Ministry
	East Trenton Community Council
	Episcopal Community Development
	Fair Housing Council of Northern New Jersey
	Fairmount Housing/Management Corporation
	Friends of Lifers Youth Corporation
	Habitat for Humanity Newark, Inc.
	Housing and Community Development Network of New Jersey
	Housing and Neighborhood Development Services
	Hudson County Housing Resource Center
	Inter-Religious Fellowship for the Homeless of Bergen County, Inc.
	Jersey City Affordable Housing Coalition
	La Casa de Don Pedro, Inc.
	Middle Earth
	Middlesex County Economic Opportunities Corporation
	New Jersey Alliance for the Homeless
	New Jersey Division of Developmental Disabilities
	Office of State Monitor Advocate, NJ Dept of Labor
	Puertorriquenos Asociados for Community Organization
	St. James Community Development Corporation
	St. Matthews Neighborhood Improvement Development
	Trenton Education Development
	Tri-City Peoples Corporation
	Unified Vailsburg Services Organization
	United Community Corporation
	Urban League Affordable Housing & Community Development Corporation
New Mexico	Abo Healthcare for the Homeless
	Albuquerque Mental Health Housing Coalition, Inc.
	Bernalillo County Housing Department
	Guadalup County Health Council
	Home Education Livelihood Program, Inc.
	Homeless Advocacy Network
	Las Cruces Affordable Housing Inc
	New Mexico ACORN
	Sandoval County Economic Opportunity
	Southwest Counseling Center
	Southwest Network
	Southwest Organizing Project
	Siete del Norte Community Development Corporation
	Taos County YouthBuild Program
	Tierra del Sol Housing Corporation
New York	A-Home
	Abyssinian Development Corporation
	Action for a Better Community, Inc.
	ARISE, Inc.
	Asian Americans for Equality
	Association for Neighborhood and Housing Development
	Association of Theatrical Press Agents and Managers
	Bedford Stuyvesant Community Legal Services Corporation
	Bethel Community Development Corporation
	Bishop Sheen Ecumenical Housing Foundation, Inc.
	Black Rock-Riverside Neighborhood Housing Services, Inc.
	Blessed Sacrament Church
	Broadway-Fillmore Neighborhood Housing Services, Inc.

Care for the Homeless
Carmelite Sisters of Charity
Catholic Charities of the Diocese of Albany
Catholic Charities of the Southern Tier
Chemung County Housing Coalition
Children & Family Mental Health Services, Inc.
Citizen's Committee for Children
Clubhouse of Suffolk, Inc.
Coalition for the Homeless
Coalition of Northeast Associations, Inc.
Community Action Organization
Community Action Project
Community Advocates, Inc.
Community Resource Exchange
Community Service Society of New York
Common Ground Community
Concern For Independent Living
Conifer Realty, LLC
Consumer Credit Counseling Service of Central New York
Consumer Information & Dispute Resolution, Inc.
Cortland County Community Action Program
Disabled in Action of Metropolitan New York
Eastside Neighbors in Partnership, Inc.
Elmira First Time Homebuyer Program
Erasmus Neighborhood Federation, Inc.
Fannie Lou Hamer PAC
Federation of Organizations for the NY State Mentally Disabled, Inc.
Fifth Avenue Committee, Inc.
Fillmore Leroy Area Residents
Fire Lotus Film Group
Flatbush Development Corporation
Greater Rochester Housing Partnership
Greater Syracuse Tenants Network
Group 14621
Genesis Homes
Harlem Tenants Council, Inc.
Heart of the City Neighborhoods, Inc.
HELP Bronx Crotona Park North
HELP Bronx Morris Avenue
HELP Harbor
HELP Haven
HELP Suffolk
HELP Supportive Employment Center
Heritage Housing
Hispanos Unidos De Buffalo, Inc.
Housing and Services, Inc.
Housing Opportunities, Inc.
Human Development Service of Westchester
Interfaith Council for Action Inc.
Jewish Association of Services for the Aged, Housing Development Services
Johnstown Public Housing Agency and Housing Rehabilitation Office
Kensington-Bailey Neighborhood Housing Services, Inc.
Keuka Housing Council
Kingston Cares
Long Island Advocacy Center, Inc.
Long Island Center for Independent Living
Long Island Housing Services, Inc.
Long Island Progressive Coalition
Lovejoy District Neighborhood Services
MBD Community Housing Corporation
Mount Vernon United Tenants
Multi-Talents, Inc.
Nassau- Suffolk Coalition For the Homeless
National Coalition for the Homeless -New York
Neighborhood Coalition for Shelter

Neighborhood Housing Services of South Buffalo
Neighborhood Preservation Coalition of New York State, Inc.
Neighbors Helping Neighbors, Inc.
New Berlin Housing & Preservation, Inc.
New Destiny Housing Corporation
New York State Developmental Disabilities Planning Council
New York State Rural Advocates
New York State Rural Housing Coalition, Inc.
New York State Tenants and Neighbors Coalition
Nontraditional Employment for Women
Northeast Block Club Alliance, Inc.
Northwest Community Services
Northwest Queens Housing
Office of Mental Retardation and Developmental Disabilities, Office of Housing Initiatives
Opportunities for Chenango, Inc.
Outreach Project
Parkside Community Association
The Partnership for the Homeless
Patchogue-Medford Youth and Community Services
Picture the Homeless
Pratt Institute Center for Community & Enviromental Development
Rensselaer County Housing Resources
Rolling Green Unified Neighbors
Rowland Housing Action Coalition, Inc.
Rural and Migrant Ministry of Oswego County, Inc.
Rural Opportunities, Inc.
Saratoga County Arc
Shandaken Area Revitalization Plan, Inc. (S.H.A.R.P.)
Southern Hills Preservation Corporation
Southside Community Mission
St. Christopher Ottilie
Steuben County Rural Ministry
St. James Mercy Health
St. Lawerence County Housing Council, Inc.
Stryker's Bay Neighborhood Council
Suffolk Community Council, Inc.
Supportive Housing Network of New York
Telesis Corporation
Thorpe Family Residence, Inc.
Two Plus Four Construction Company
United Jewish Appeal Federation of New York
United Mineworkers of America
United Tenants of Albany
University Heights Community Development Assocation, Inc.
University Neighborhood Housing Program
Unique Peoples Services
Universal Community Development Corporation
Urban Justice Center
Utica Citizens in Action
Westchester Community Opportunity Program, Inc.
Westchester Housing Fund
WestHELP Greenburgh
WestHELP Mt. Vernon
Westside Neighborhood Housing Services, Inc.
WIN Program
Women's Housing and Economic Development Corporation
Wyandanch Community Development Corporation
Wyandanch Homes and Property Development Corporation

North Carolina

Alamance County Interagency Council on Homeless Assistance
Asheville-Buncombe Homeless Coalition
Arc of North Carolina
Black Creek United Methodist Women
Blue Springs Community Development Corporation
Brick Capital Community Development Corporation
Davidson Housing Coalition

	Downtown Housing Improvement Corporation
	Durham Affordable Housing Coalition
	East Tarboro-Pineville Community Development Corporation
	Goler-Depot Street Renaissance Corporation
	Greensboro Housing Coalition
	Habitat for Humanity of Forsyth County
	Hertford County Quality of Life Association
	The Homeless Coalition
	Hospitality House of Asheville
	Housing Partnership of Winston-Salem/Forsyth County
	Johnston Company Planning & Zoning
	Lexington Housing Community Development Corporation
	McAuley Institute, North Carolina
	Mecklenburg County Department of Social Services
	Mending Hearts
	Mercy Housing Southeast
	Mountain Projects, Inc.
	Nehemiah Community Development Corporation of North Carolina
	New Directions For Downtown, Inc.
	North Carolina Coalition Against Domestic Violence
	North Carolina Coalition to End Homelessness
	North Carolina Justice and Community Development
	North Carolina Low Income Housing Coalition
	North Carolina Smart Growth Alliance
	Northwestern Regional Housing Authority
	River City Community Development Corporation
	Self-Help, Durham
	Self-Help, Greenville
	Sisters of Mercy of North Carolina
	Southern Rural Development Initiative
	Surry Women's Shelters, Inc.
	TRO, Inc.
	UJAMMA, Inc.
	United Parents Against Lead of North Carolina, Inc.
	Wake County Housing & Community Revitalization
North Dakota	Affordable Housing Developers, Inc.
	The Arc of Bismarck
	Catholic Family Service
	Community Action and Development Program, Inc.
	Community Action Opportunities, Inc.
	Community Action Program Region VII, Inc.
	Dakota Prairie Community Action Agency
	Domestic Violence Crisis Center, Inc.
	Eastern Dakota Housing Alliance
	Easter Seals Goodwill of North Dakota, Inc.
	Fargo Planning and Development Department
	Grand Forks Housing Authority
	Homeless Health Services
	Lutheran Social Services of North Dakota
	North Dakota Rural Development Council
	North Park Homes
	Ruth Meiers Hospitality House
	Tri County Regional Development Council
	Wesley Shelter
	Youthworks, Mountain Plains
	YWCA of Fargo-Moorhead
Ohio	ABCD, Inc.
	ACCESS, Inc.
	Adams-Brown Counties Economic Opportunities, Inc.
	Akron Area Association of Churches
	Akron Area Board of Realtors
	Akron Community Health Resources
	Akron Health Department
	Akron Metropolitan Housing Authority
	Akron Planning Department

Akron-Summit Community Action Agency, Inc.
Alpha Phi Alpha Homes
American Home Buyers
Amethyst
Area Agency on Aging
Astabula County Community Housing Development Organization
Avondale/Walnut Hills Redevelopment Foundation, Inc.
Bank One
Barberton Area Community Ministries
Battered Women's Shelter
Bethany House Services
Carver Park Local Advisory Council
Catholic Charities Health & Human Services
Catholic Commission
Catholic Social Services
Charter One Bank
Christmas In April
Cleveland-Cuyahoga Counties Office of Homeless Services
Cleveland Neighborhood Development Corporation
Cleveland Tenants Organization
Clemont County Community Services
Clinton County Community Action Program, Inc.
Coalition on Homelessness and Housing in Ohio
Community Action Harmony House
Community Health Center
Community Legal Aid
Community Shelter Board
Community Support Services
The Contact Center
Corporation for Ohio Appalachian Development
Council for Economic Opportunities in Greater Cleveland
Crossroads
Daybreak
Diocesan Social Action Office of Cleveland
The Drop-In Center
East Akron Neighborhood Development Corporation
Emergency Assistance Services, Catholic Charities
Emmanuel Community Care Center
Fair Housing Advocates
Fair Housing Contact Services
Famicos Foundation
Family and Community Services of Portage, Inc.
Fifth Third Bank
First Grace Hunger Program
Firstar Bank
FirstMerit Bank
Forest City Residential Group
Founders Path, Inc.
Friends of the Homeless, Inc.
Greater Akron Committee for Better Housing
Greater Cincinnati Coalition for the Homeless
Habitat for Humanity
Harvard Community Services Center
Homebuilders Association of Greater Akron
Housing Network
Housing Opportunities Made Equal (H.O.M.E.)
Humility of Mary Life Opportunity Services
Interfaith Hospitality Network of Greater Cleveland
International Institute
Jefferson County Community Action Council, Inc.
Jireh Development Corporation
Key Bank
League of Women Voters
Legacy III, Inc.
Licking County Coalition for Housing

	Lifeline for the Empowerment & Development of Consumers, Inc.
	Local Initiatives Support Corporation
	Lorain County Community Action Agency, Inc.
	Lorain County Task Force for the Homeless
	Metropolitan Strategy Group
	Miami Purchase Preservation Fund
	Mosyjowski & Associates Engineers
	National City Bank
	Nazareth Housing Development Corporation
	NCS of Barberton
	Neighborhood Development Corporations Association of Cincinnati
	Neighborhood Housing Service's Of Hamilton, Inc.
	Neighborhood Properties
	New Home Development 6
	North Coast Community Homes
	North River Development Corporation
	Northeast Ohio Coalition for the Homeless
	Oberlin Community Services
	Ohio Savings Bank
	Onyx Community Development Corporation
	The Other Place
	Over the Rhine Housing Network
	Partnership for Lincoln Area Neighborhoods
	Portage Area Development Corporation
	Portage Area Transitional Housing
	Race Street Tenant Organization Cooperative (ReSTOC)
	SAFE Landing
	S&L Properties
	Salvation Army PASS Program
	Second National Bank
	Sisters of Mercy Regional Community of Cincinnati
	Snyder & Snyder Realty
	STEPS (Substance Abuse, Treatment, Education and Prevention Services)
	Summit County Children's Services Board
	Summit County Department of Community and Economic Development
	Summit County Housing Trust Fund
	Summit Housing Development Corporation
	Summit Twin Oaks Realty
	Third Federal Savings
	Tri-County Independent Living Center, Inc.
	University Park Neighborhood Association / UPDC
	Veterans Services Outreach Referral Program
	Volunteers of America Crossroads
	Volunteers of America Ohio River Valley
	Westside Council of Block Clubs
	Westside Neighborhood Development Corporation
	Wings Enrichment Center
	W.O.M.E.N.
	YWCA of Columbus
	YWCA of Greater Cleveland
	Zanesville Metropolitan Housing Authority
Oklahoma	Broken Bow Housing Authority
	Cookson Hills Community Action Foundation, Inc.
	Debruler, Inc.
	Little Dixie Community Action Agency
	Opportunities, Inc.
	Vintage Housing, Inc.
Oregon	Aloha United Methodist Church
	Association for Portland Progress
	Bend Area Habitat for Humanity
	Bilai Mosque
	Cascadia Behavioral Healthcare
	Center for Non-Profit Legal Services
	Central City Concern
	Central Pacific Conference, UCC

Columbia Housing, HCDC, City of Portland
Community Action Organization
Community Alliance of Tenants
Community Partners for Affordable Housing
Covenant Five Campus Ministry at PSU
Dignity Village, Inc.
Ecumenical Ministries of Oregon
Elders in Action
The Enterprise Foundation-Portland
First Congregational UCC
First Unitarian Church
First United Methodist Church
Goose Hollow Family Shelter
Hacienda Community Development Corporation
Havurah Shalom
Housing Authority of Portland
Housing Development Center
Human Solutions, Inc.
Lake Oswego United Church of Christ
Lane County Law & Advocacy Center
Mainstream Housing, Inc.
Metanoia Peace Community United Methodist Church
Mid-Willamette Valley Community Action Agency
NEDCO
Neighborhoods, Housing & Community Development, City of Eugene
Northwest Housing Alternatives
Northwest Pilot Project, Inc.
Office of Justice & Peace/Campaign for Human Development/Archdiocese of Portl
Oregon Center for Public Policy
Oregon Coalition on Housing & Homelessness
Oregon Farm Worker Ministry
Oregon Food Bank
Oregon-Idaho United Methodist Church
Pendleton First United Methodist Church
Portland Bureau of Housing and Community Development
Portland Development Commission
Portland Habilitation Center
Portland Housing Center
Recovery Association Project
ROSE Community Development
Shiels Obletz Johnsen, Inc.
Reedwood Friends Church
Sheltercare
Sisters of the Road Café, Inc.
Southern Oregon Economic Development Corporation
Spiritual City Club
Sponsors, Inc.
St. Mathew Catholic Church
St. Vincent de Paul Society of Lane County
Transition Projects, Inc.
Tulatin Valley Housing Partners
Oregon Law Center
Unitarian Universalist Community Church
Vermont Hills United Methodist Church
William Temple House
Womenspace
YWCA of Greater Portland

Pennsylvania

1260 Housing Development Corporation
Action Housing, Inc.
Allegheny County Housing Authority
Allegheny Unitarian Universalist Church
Alliance For Better Housing
Alliance For Building Communities
Alliance for Building Communities of Monroe County
A New Life Consumer Center

	Bloomfield/Garfield Corporation
	Blueprint to End Homelessness
	Bucks County Housing Group
	Bucks County Opportunity Council, Inc.
	Catherine McAuley Center
	Citizens Budget Campaign of Western PA
	Columbia County Redevelopment Authority
	Columbus Property Management
	Community Action Association of PA
	Community Action Commission
	Community Action Committee of the Lehigh Valley
	Community Housing Resource Board
	Crispus Attucks Association, Inc.
	Department of Human Services
	Family Links
	Fayette County Community Action Agency
	HEARTH
	HELP, Philadelphia
	Homeless Advocacy Project
	Horizon House, Inc.
	Housing Consortium for Disabled Individuals
	Housing Development Corporation
	J & K Siding
	Lehigh Valley Coalition on Affordable Housing
	McKeesport Collabrative
	Mental Health Association of Southeastern Pennsylvania
	Mental Health Association of Allegheny County
	Mistick Construction
	Monroe County Affordable Housing Coalition
	National Resource Center on Domestic Violence
	Network for Fairness
	New Kensington Community Development Corporation
	North Side Coalition for Fair Housing
	Northern Tier Community Action Corporation
	PANPHA, an Association of Non-Profit Senior Services
	Pennsylvania Low Income Housing Coalition
	Peoples Emergency Center
	Philadelphia ACORN
	Philadelphia Association of Community Development Corporations
	Philadelphia Committee to End Homelessness
	Philadelphia Health Management Corporation
	Project Home
	Raise of Hope, Inc.
	Ridge Center
	Rural Opportunites
	Schuylkill Community Action
	Self Determination Housing Project of PA
	Sisters of Mercy, Merion Regional Community
	Sisters of Mercy of the Americas in Erie, PA
	Sisters of St. Joseph of NW Province
	Snyderville Community Development Corporation
	Southwestern Pennsylvania Alliance of HUD Tenants
	Tableland Services, Inc.
	Tenants Action Group
	Thomas Merton Center
	The Trehab Center, Inc.
	United Independent Union Local 19
	United Independent Union Local 238
	Urban League of Pittsburgh, Inc./Minority Elderly Outreach Program
	Warren-Forest Counties Economic Opportuntiy Council, Inc.
	We Help, Inc.
	Welfare Rights-Housing
	W.H.O., Inc. (Westmoreland Human Opportunities)
Puerto Rico	Foudita de Jesus
	Puerto Rico Community Foundation

	San Juan Neighborhood Housing Services
Rhode Island	Amos House
	Childhood Lead Action Project
	Comprehensive Community Action Plan (CCAP)
	Creating Safe Havens
	East Bay Community Development Corporation
	East Greenwich Academy Foundation
	Elmwood Foundation for Architectural & Historic Preservation
	Homeless Action for Necessary Development
	Housing Network, Rhode Island Association of CDS
	Life and Family Ministry
	McAuley House
	Mount Hope Neighbor Land Trust
	Opportunities Unlimited
	Peoples Redevelopment Corporation
	People to End Homelessness
	Project Basic
	REACH
	Rhode Island ACORN
	Rhode Island Association of Facilities and Services for the Aging
	Rhode Island Coalition for the Homeless
	Rhode Island Parents for Progress
	Rhode Island Public Housing Tenants Association, Inc.
	Sisters of Mercy Regional Community of Providence
	Smith Hill Community Development Corporation
	Star of the Sea
	Statewide Housing Action Coalition of Rhode Island
	St.Teresa Peace & Justice Committee
	SWAP, Inc.
	Travelers Aid Rhode Island
	United Way of Southeastern New England
	Visiting Nurse Services of Newport & Bristol Counties
	Welcome House of South County
	Westbay Community Action, Inc.
	West Elmwood Housing Development Corporation
South Carolina	Catawba Commuity Mental Health Foundation
	Clover Commons Foundation
	Community Development Department, City of Spartanburg
	Community Housing, Inc.
	Douglas Company
	Fairfax Community Outreach, Inc.
	Five Rivers Community Development Corporation
	Grand Strand Housing, Inc.
	Home Alliance, Inc.
	Housing Authority of Fort Mill
	Nehemiah Corporation
	Regency Development Associates, Inc.
	Reynolds House Foundation
	Santee-Lynches Community Development Corporation
	South Carolina Low Income Housing Coalition
	Spartanburg County
	Sumter County Community Development Corporation
	Trinity Housing
	Upstate Homeless Coalition of South Carolina
	Volunteers of America of the Carolinas
South Dakota	Cangleska, Inc.
	Crow Creek Housing Authority
	Development for the Disabled
	Neighborhood Housing Services of the Black Hills
	Northeast South Dakota Community Action Program
	Northeast South Dakota Economic Corporation
	Rapid City Housing Coalition
	Sioux Empire Homeless Coalition
	Teton Coalition
Tennessee	Aid to Distressed Families of Appalachian Counties

The Arc of Tennessee
Blount County Community Action Agency, Inc.
Child & Family Tennessee
Clarksville-Montgomery Counties Community Action Agency
Cumberland Region Tomorrow
DCEA Technical Assistance
Douglas-Cherokee Economic Authority
Dubois-Pike Warrick Economic Opportunity Committee Inc.
Eastern Eight Community Development Corporation
Kingsport Housing & Redevelopment Authority
Knoxville Area Urban League
LeMoyne Owen College Community Development Corporation
Mideast Community Action Agency of Roane and Loud
Nashville Area Habitat for Humanity
School of Urban Affairs and Public Policy, University of Memphis
Tennessee Association of Community Action
Transitional Living Program
Upper East Tennessee Human Development Agency, Inc.
Urban Housing Solutions
Westside Community Development Corporation

Texas

AAMA Community Development Corporation
ABC Behavioral Health, LLC
Almeda Community Development Corporation
Annam Community Development Corporation
Avenue Community Development Corporation
Aztecg Economic Development
Capital Area Homeless Alliance
Catholic Family Service
Central Texas Oportunities, Inc.
Colonies Unidas
Community Council of Bowie, Camp, Cass, Marion & Morris Counties (CAA)
Dallas ACORN
Dallas City Homes, Inc.
Day Resource Center for the Homeless
Eastwood-Broadmoor Area Community Development Corporation
El Paso Collaborative for Community & Economic Development
El Paso Communtiy Action Agency, Project Bravo
The Enterprise Foundation, Austin
Extra Touch Health Care, Inc.
Farrant County ACCESS for the Homeless
Fifth Ward Community Redevelopment Corporation
Frisco Housng Authority
Galveston Community Development Corporation
Greater Park Place Community Development Corporation
Guadalupe Economic Services Corporation
Guadalupe Neighborhood Development Corporation
Heights Community Development Corporation
House for Homeless
Housing Authority of the City of Brownsville
Houston ACORN
Houston HELP, Inc.
Jean Brooks Community Development Corporation
Local Initiatives Support Corporation - Houston (LISC)
Lower Valley Housing Corporation
Megillah Avenue Community Development Corporation
Miracle of Hope, Inc.
Motivation, Education & Training, Inc.
Muslim Community Center for Human Services
Neighborhood Housing Services of Dimmit County
Northside Plaza Community Development Corporation
Nueces County Community Action Agency
Office and Professional Employees 277
Organization Progressiva de San Elizario
Project Bravo, Inc.
Re-ward Third Ward, Inc.

	Sisters of Charity of the Incarnate Word
	Southeast Texas Community Development Corporation, Inc.
	Sunnyside-Up, Inc.
	Tejano Center for Community Concerns
	Telecare Mental Health Services of Texas
	Texas Alliance for Human Needs
	Texas Associations of Community Development Corporations
	Texas Development Institute
	Texas Homeless Network
	Texas Low Income Housing Information Service
	Trinity Bethel Community Development Corporation
	Universal Living Wage Campaign
	University of Texas Pan American Community Outreach Partnership Center
	Upward Bound Community Development Corporation
	Vencinos Unidos, Inc.
Utah	Coalition of Religious Communities
	Justice, Economic Dignity & Independence for Women (JEDI)
	Mount Benedict Monastery
	National Tongan American Society
	Salt Lake Community Action Program
	Share the Future CLT
	Utah HUD Tenants Association
	Utah Issues
	Utah Nonprofit Housing Corporation
	Wasatch Homeless Health Care, Inc.
Vermont	Abuse and Rape Crisis Program/CVOEO
	Addison County Community Action Group, Inc.
	Battered Women's Services and Shelter
	Bennington/Rutland Opportunity Council of Southwestern Vermont
	Brattleboro Area Affordable Housing Corporation
	Brattleboro Area Community Land Trust
	Brattleboro Area Drop-In Center
	Brattleboro Housing and Human Resources Council
	Burlington Community Land Trust
	Central Vermont Community Action Council
	Central Vermont Community Land Trust
	Champlain Valley Office of Economic Opportunity
	Committee on Temporary Shelter
	Community Action Brattleboro Area, Inc.
	Gilman Housing Trust, Inc.
	Healthcare and Rehab Services
	Housing Vermont
	Lake Champlain Housing Development Corporation
	Lamoille Housing Partnership
	Morningside Shelter
	New Beginnings, Inc.
	Our Place Drop-In Center
	Randolph Area Community Development Corporation
	Rutland County Housing Coalition
	Rutland Housing Authority
	Rutland Mental Health Services
	Rutland West Neighborhood Housing
	Sisters of Mercy of Vermont
	United Counseling Services of Bennington County
	Upper Valley Haven
	Vermont Affordable Housing
	Vermont Center for Independent Living
	Vermont Community Loan Fund
	Vermont Department of Housing and Community Affairs
	Vermont Housing and Conservation Board
	Vermont Tenants, Inc.
	WomenSafe, Inc.
Virginia	Americans Helping Americans
	Amherst County Commission Against Domestic Violence
	Better Housing Coalition

Buckingham Housing Development Corporation
Catholics for Housing, Inc.
Charlottesville Public Housing Association of Residents
City of Richmond Human Services Commission
Coalition for Housing in Arlington
Consortium of Developmental Disabilities Councils
Council for Affordable and Rural Housing
Elderhomes Corporation
Family and Children Services
Federation of Appalachian Housing Enterprises, Inc.
Habitat for Humanity of Northern Virginia
Henrico Community Housing Corporation. of Richmond
Highland Park Restoration & Preservation Program
H.O.M.E., Inc.
Homestretch, Inc.
Housing Association of Non-Profit Developers
Interfaith Housing Corporation (IHC)
Jackson Center
Jackson Ward Association
Local Initiatives Support Corporation-Richmond (LISC)
Miriam's House
Mountain Shelter, Inc.
National Alliance for the Mentally Ill, Virginia
Neighborhood Housing Services
North River Community Action
Northern Virginia Interfaith Coalition for Justice
Northern Virginia Mental Health Consumers Association
The NOVA Community
Oregon Hill Home Improvement Council (OHHIC)
People Incorporated of Southwest Virginia
Piedmont Housing Alliance
Reston Interfaith
Richmond Metropolitan Habitat for Humanity
Richmond Redevelopment & Housing Authority
Robert Pierre Johnson Housing Development Corporation
Sisters of Mercy of Virginia
Social Action Linking Together
Southampton County Assembly, Inc.
Southeast Rural Community Assistance Project, Inc.
Southside Community Development & Housing. Corporation
The Stop Organization
Tahirih Justice Center
Virginia Coalition for the Homeless
Virginia Interfaith Center for Public Policy
Virginia Organizing Project
Virginia Supportive Housing (VSH)

Washington

1000 Friends of Washington
Affordable Housing Management Association of Washington State
Agape Unlimited/Sisyphus II Project
AIDS Housing of Washington
Aloha Inn
Archdiocesan Housing Authority
Blue Mountain Action Council
Bremerton Housing Authority
Capitol Hill Housing Improvement Program
Children's Alliance
Coming Home Project
Community Restoration Outreach
The Compass Center
Diocese of Yakima Housing Services
Eastside Domestic Violence Program
First Things First
Fremont Public Association
Helping Hand House
The Homelessness Project

	Housing Authority of Grant County
	Housing Authority of Skagit County
	Housing Development Consortium of Seattle-King County
	Housing Hope
	Housing Resources Group
	Inland Empire Residential Resources
	Intercommunity Housing
	King County Coalition Against Domestic Violence
	King County Department of Community and Human Services, Housing Finance Pr
	Kulshan Community Land Trust
	Longview Housing Authority
	Lower Columbia Community Action Council
	Low Income Housing Institute
	Lutheran Alliance to Create Housing (LATCH)
	Max Hale Center
	National Alliance for the Mentally Ill, WA (NAMI)
	National Alliance for the Mentally Ill, South King County (NAMI)
	Northwest Federation of Community Organizations
	Northwest Regional Facilitators
	Office of Rural and Farmworker Housing
	Okanogan County Community Action Council
	OPAL (Of People and Land) Community Land Trust
	Parkview Services
	Plymouth Housing Group
	Poverty Action
	Real Change Homeless Empowerment Project
	Sisters of St. Francis of Philadelphia, Kent
	Sisters of St. Joseph of Peace, Western Province
	Skagit Affordable Housing Consortium
	South King County Multi-Service Center
	Southwest Washington Agency on Aging
	Spokane Housing Authority
	Spokane Neighborhood Action Programs
	Tacoma Area Coalition for Individuals with Disabilities (TACID)
	Tenants Union
	Transitions
	United Communities AIDS Network
	Washington Coalition to Preserve Low Income Housing
	Washington State Coalition for the Homeless
	Washington State Council for Affordable and Rural Housing
	Washington Low Income Housing Network
West Virginia	The Arc of Harrison County
	Cabell/Huntington Coalition for the Homeless
	Clay Mountain Housing, Inc.
	Community Resource Management
	Community Works in West Virginia, Inc.
	DreamHome Community Development Corporation
	Fairmont Community Development Partnership
	Greenbrier Housing Authority
	Harts Community Development, Inc.
	Home Ownership Center, Inc.
	The Housing Development Corporation, Inc.
	Huntington City Mission
	Huntington Housing Authority
	Kanawha Institute for Social Research & Action
	Multi-Cap, Inc.
	Randolph County Affordable Housing & Development Corporation
	Randolph County Housing Authority
	Realizing Economic Development through Education, Enterprise and Morals (REDE
	Religious Coalition for Community Renewal
	Stop Abusive Family Environments (SAFE, Inc.)
	Tiskelwatt Neighborhood Development & Advisory Council
	The Upper Kanawha Valley Enterprise Community
Wisconsin	Access to Independence
	Advent Lutheran ELCA

Affordable Housing Action Alliance
Allied Churches Teaching Self Empowerment
Avenues West Association
BASICS in Milwaukee, Inc.
Beloit Community Development Authority
Brown County Housing Authority
Brown County Task Force on Homelessness
C-CAP, Inc.
Christine Ann Domestic Abuse Services, Inc.
Community Advocates
Community Housing Initiative, Inc.
Community of Hope/United Church of Christ
Fair Housing Center of Greater Madison
Family Services
Fox Cities Housing Coalition
Franciscan Sisters of Perpetual Adoration
Freedom House Ministries, Inc.
Friends of Housing Corporation
Habitat for Humanity, Greater Fox Cities Area
Heartland Properties, Inc.
HOMES Coalition
Housing Initiatives, Inc.
Housing Partnership of Fox Cities
Housing Resources, Inc.
Hunger Task Force of Milwaukee
Integrated Community Services, Green Bay
Interfaith Hospitality Network, Eau Claire
Interfaith Hospitality Network, Madison
Juniper Court, Inc.
Layton Boulevard West Neighbors
League of Women Voters of Dane County
League of Women Voters of Greater Green Bay
Lisbon Avenue Neighborhood Development Corporation
Lisbon Avenue Neighborhood Redevelopment
Local Initiatives Support Corporation
Lutheran Office for Public Policy
Madison Area Community Land Trust
Madison Area Urban Ministry
Menomonee Valley Partners, Inc.
Metcalfe Park Residents Association
Metro Milwaukee Fair Housing Council
Milwaukee Christian Center
Milwaukee Women's Center
Mortgage Guaranty Insurance Corporation
Moving Out, Inc.
Mutual Housing Association of Brown County, Inc.
Neighborhood Housing Services- Green Bay
New Community Shelter
New Concepts
New Covenant Housing Corporation
NEWCAP, Inc.
Northeast Milwaukee Industrial Development Corporation
Northeast Wisconsin Fair Housing Council
Opportunities Industrialization Center of Greater Milwaukee
Project Home
Sacred Heart Center
Select Milwaukee, Inc.
Shawano County Housing Authority
Southerwestern Wisconsin Community Action Program, Inc.
Southeastern Wisconsin Housing Corporation of Racine County
St. Francis Bank
Toward Community Unity in Diversity
United Way of Fox Cities
University of Wisconsin Greens
University of Wisconsin Multicultural Student Coalition

	Wisconsin Association of Housing Authorities
	Wisconsin Council on Children and Families
	Wisconsin Manufacturers Homeowners Association, Inc.
	Wisconsin Partnership for Housing Development
	Wisconsin Preservation Fund, Inc.
	Wisconsin Public Interest Research Group (PIRG)
	Women and Poverty Public Education Initiative
Wyoming	Community Action
	Diversified Services, Inc.
	Human Services Commission
	Wyoming Coalition for the Homeless

109 Individuals Supporting the National Housing Trust Fund Campaign

State	Individual
Alaska	Jennifer Klein, Planner, Facilities and Planning Section
Arkansas	Emily Williams, Homeless Liaison, Fayetteville Public Schools
California	Lisa Feldstein, Affordable Housing Consultant
	Kristie Kesel
	Clement Lau
	Jennifer Bigelow McGovern
	Sarah Ramsey
	Sheryl Spencer
Colorado	Teri Rosen
Connecticut	The Rev. David W. Spollett
District of Columbia	Cushing Dolbeare, Founder and Chair Emeritus, NLIHC
Florida	Bill Clift
	Susan Lang
Illinois	Heather D. Parish, Economic Development Consultant
	Cynthia Ralls
	Herbert Rubin, Professor of Sociology, Northern Illinois University
	Janet Smith, Professor, University of Illinois at Chicago
Kansas	Robert Rutkowski
	James M. Nordlund
Kentucky	Miles Puckett
Louisana	Matthew Cardinale
	Curtis Tucker
	Gretta D. Williams
Maine	Tammy Voisine
Maryland	David Crystal
	Ruth Crystal
	Joseph Harkness
	Travis Woodruff
Massachusettes	Roseline Reynolds
	P. Sweeney
Minnesota	Anne Billier
	Norah E. Bringer
	Eloise Buckingham
	Justin Cummmings
	Kari Denissen
	Rarinder Flesh, MFHC
	Nick Jamez
	Eddie L. Johnson, YMCA St. Paul
	Jane Lawrenz, Dakota County .
	Sara Leedom
	Kim Lieberman
	Colleen McClain
	Laura McLain
	Sara Nelson-Pallmeyer
	Monica Nisson
	Michelle Poeschel
	Paula Schumacher
	Scott Zemke, Community Action for Surburban Hennepin
Missouri	Adam Rustige, Univrersity of Missouri - St. Louis
	George Niewrzel
New Jersey	Martha Lamar, Housing & Planning Consultlant

New York	Julia Koschinksky
North Dakota	Howard C. Barlow, CFRE
Pennsylvania	Jenn M. Bromwell
	Colleen Unroe
Ohio	Tricia Gillespie
	Wanda Guthrie
	Richard Heil
	Hattie Jackson
	Barbara Snyder
	Cathy Tilden
Oregon	Don & Betty Balmer
	David Bell
	Tony Bernal
	Jennifer Bertrand
	Maureen Brennan
	Rev. Dr. Tim Cayton
	Kendra Clune
	Willialm E. Connor, M.D.
	Paul Dagle
	Charlotte Dietterich
	Dr. Russ Dondero
	Clifford Droke
	Bob Durston
	Tino Fabros
	Janice Gratton
	John Hubbird
	Linda Kaeser
	Beth Kaye
	Anne T. Kayser
	Donald Maziotti
	Heather & Rick Medders
	Kurt Miller
	Fr. Jose Ortega
	Dick & Olive Pomeroy
	Doral Poujade
	Marie T. Rau
	Jason Reid
	Nina Robert, Esq.
	Rich Rogers
	Mary Sagara
	Pat Schwiebert
	Liz Smith
	Andrew Stelzer
	Helene Vandeberg
	Joanne L. Weiss
	R. Peter Wilcox, Dir. Of Housing
	Barbara Willer
	Patricia Williams
	Paul B. Williams
	Angel Williamson
Texas	Ellie Collier
	John Galfione
Vermont	Morgan Brown, Independent and Literally Homeless Activist
Virginia	Donald Harden
Washington	Nhat Nguyen
	Tina Ilvonen
	Adrian Johnson, member of Porch Light Partnership
Wisconsin	Jay Austinson

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3211 FOURTH STREET NE • WASHINGTON DC 20017-1194 • FAX 202-541-3339
WEBSITE: WWW.USCCB.ORG/SDWP

April 18, 2002

United States Senate
Washington, D.C. 20510

Dear Senator:

As Chairman of the Domestic Policy Committee of the United States Conference of Catholic Bishops (USCCB), I write in strong support of S 1248, a bill to create a National Housing Trust Fund. The Catholic Church has historically urged the federal government to meet our nation's promise of a decent home for every American family.

Through our Charities agencies, dioceses, and parishes, the Catholic Community serves tens of thousands of men, women, and children who struggle to avoid homelessness and to maintain adequate housing. Besides sheltering homeless people who turn to us for help, we have built, and continued to maintain, thousands of affordable housing units. All of these experiences have demonstrated to us how homelessness and inadequate, substandard housing destroys lives, undermines families, hurts communities, and weakens the social fabric of our nation. Despite our efforts–and the efforts of so many others–there is just not enough affordable housing available.

The Joint Center for Housing Studies at Harvard University found in a recent study that "the incidence of housing affordability problems barely eased for low income households and started to increase among moderate income households" in the booming economy of the 1990's. Currently, there is no state in the union where a minimum wage worker can afford to rent a two bedroom apartment at the fair market rent.

The USCCB statement, ***Putting Children and Families First,*** notes: "Many families cannot find or afford decent housing, or must spend so much of their income for shelter that they forego other necessities, such as food and medicine.... [The Catholic bishops] support housing policies which seek to preserve and increase the supply of affordable housing and help families pay for it." We must put in place a sustainable source of funds to build affordable housing.

This National Housing Trust Fund presents the Senate with a genuine opportunity to let the American people know that the shelter needs of low-income families is a national priority. I urge you to support S1248 as one way to demonstrate how vitally important housing is to the well-being of families and our communities.

With every good wish for you in your challenging responsibilities, I am,

Sincerely Yours,

Theodore E. Card. McCarrick

Theodore Cardinal McCarrick
Archbishop of Washington
Chairman, Domestic Policy Committee
United States Conference of Catholic Bishops

I. Executive Summary

The Cranston-Gonzalez National Affordable Housing Act (NAHA) requires an independent actuarial analysis of the economic net worth and soundness of the Federal Housing Administration's (FHA's) Mutual Mortgage Insurance (MMI) Fund. This report presents our findings with respect to this required analysis for fiscal year (FY) 2001 using data as of March 31, 2001.

The primary purpose of this review is to estimate:

- The economic value of the MMI Fund, defined as the sum of existing capital plus the net present value of current books of business, and

- The current and projected capital ratio, defined as the economic value divided by the total insurance in-force (IIF).

Status of the Fund

NAHA mandated that the MMI Fund achieve a capital ratio of at least 1.25 percent by FY 1992 and a capital ratio of at least 2.00 percent by FY 2000. Last year's Actuarial Review estimated that the MMI Fund's capital ratio at the end of FY 2000 was 3.51 percent, the sixth consecutive year it exceeded the 2.00 percent FY 2000 requirement. This year, we estimate that the FY 2001 capital ratio is 3.75 percent. We also estimate that the FY 2003 capital ratio will be 4.38 percent and that the FY 2008 capital ratio will be 5.10 percent. Table I-1 provides our estimates of the Fund's current and future economic values and capital ratios.

In defining the capital ratio, NAHA stipulates the use of unamortized insurance in-force. However, "unamortized insurance in-force" is defined in the legislation as "the remaining obligation on outstanding mortgages" – a definition generally understood to apply to amortized IIF. Deloitte & Touche (D&T) uses the unamortized IIF measure (as generally defined) in calculating the capital ratio. However, it is also instructive to consider the capital ratio based on amortized IIF, which is the basis the General Accounting Office has used in its previous reports on the status of the Fund. Our estimate of the FY 2001 capital ratio using amortized IIF is 4.03 percent, our estimate of the FY 2003 capital ratio is 4.66 percent, and our estimate of the FY 2008 capital ratio is 5.49 percent. Unless stated otherwise, all references to the Fund's capital ratios in this report refer to the ratio computed using unamortized IIF.

Actuarial Review of MMI Fund as of FY 2001

Sources of Change in the Status of the Fund

Change in Economic Value from FY 2000 to FY 2001
We estimate the economic value of the MMI Fund (the Fund) to be $18.510 billion at the end of FY 2001; this is a decrease of $1.723 billion, or 8.52 percent, over the FY 2001 estimate reported last year.

Our $18.510 billion estimate of the Fund's economic value is comprised of an estimate of total capital resources as of fiscal year-end 2000 of $16.385 billion and the present value of future cash flows for in-force business of negative $0.470 billion. The sum of these two components ($16.385 – 0.470 = $15.915 billion) is shown as the economic value of the Fund at the beginning of FY 2001.

The difference between the economic value of the Fund at the end of FY 2001 and at the beginning of the fiscal year is the result of the activity in the Fund during the fiscal year. That is, the $15.915 billion economic value at the beginning of the year should increase by the present value of any new loans endorsed during the year, increase by the amount of investment income accrued during the year, and decrease by the amount of administrative expenses paid during the year.

The development of the $18.510 billion FY 2001 estimate of economic value is as follows:

Economic value at beginning of FY 2001:	$15.915 billion
Present value of FY 2001 endorsements:	$1.852 billion
FY 2001 investment income:	$1.222 billion
Less FY 2001 administrative expenses:	$0.478 billion
Economic value at end of FY 2001:	$18.510 billion

The same calculation holds for future fiscal years, and is shown in Exhibit II.1 for FY 2001 through FY 2008 (under the baseline economic assumptions).

This 8.52 percent decrease in the estimated economic value of the MMI Fund since fiscal year-end 2000 is accompanied by a 7.46 percent decrease in the unamortized IIF relative to our expectations in last year's Review. These changes result in the capital ratio decreasing by 0.05 percent (a relative change of 1.14%) from 3.80 percent to 3.75 percent for FY 2001.

Actuarial Review of MMI Fund as of FY 2001

Table I-1

Projected MMI Fund Performance for FY's 2001 through 2008 ($ Millions)

Fiscal Year	Economic Value of the Fund (FY end)	Capital Ratio (FY end)	Volume of New Endorsements	Unamortized Insurance In-force (FY end)	Economic Value of New Business	Interest on Fund Balances	Admin Expenses
2001	$18,510	3.75%	$106,802	$493,250	$1,851	$1,222	$478
2002	$22,535	4.24%	$133,557	$531,541	$3,161	$1,370	$504
2003	$26,021	4.38%	$121,674	$593,789	$2,490	$1,549	$554
2004	$29,347	4.47%	$115,593	$655,978	$2,194	$1,746	$614
2005	$32,936	4.62%	$117,612	$712,921	$2,310	$1,950	$671
2006	$36,640	4.77%	$122,544	$767,512	$2,265	$2,164	$724
2007	$40,652	4.95%	$128,453	$821,979	$2,397	$2,389	$776
2008	$44,851	5.10%	$133,329	$878,613	$2,395	$2,633	$828

Current Estimate of FY 2001 Economic Value Compared with the Estimate Presented in the FY 2000 Actuarial Review

This year's estimate of the FY 2001 economic value is $1.723 billion lower than the economic value projected for FY 2001 in the FY 2000 Actuarial Review. This decrease in the Fund's value is comprised primarily of three factors:

1. Change in economic forecasts
2. Revisions to econometric models, chiefly with respect to the unemployment and the probability of negative equity variables used in the loan termination regression analysis
3. Change in the estimate of the present value of the 2001 book of business

We estimate that the change in economic forecast accounted for $585 million of the decrease. The revisions to the econometric model contribute an additional $413 million to the decrease in estimated economic value. The estimated present value of the FY 2001 endorsements and the anticipated investment income and administrative expenses decreased by $676 million relative to the FY 2000 Actuarial Review. Lastly, the estimated Total Capital Resources as of the beginning of FY 2000, used in the development of our FY 2000 estimate of economic value, decreased by $49 million.

The impact of each factor is described in Table I-2 below, and in the paragraphs that follow.

Actuarial Review of MMI Fund as of FY 2001

Table I-2

Summary of Changes in MMI Fund Estimated Economic Value Between FY 2000 and FY 2001 ($ Millions)

		Change in FY 2001 Economic Value	FY 2001 Economic Value	Change in FY 2001 Capital Ratio	Corresponding FY 2001 Capital Ratio
FY 2001 Economic Value Presented in the FY 2000 Review, Excluding the FY 2001 Book of Business			**$16,962**		
Plus:	Forecasted Value of 2001 Book of Business, Interest, and Expenses Presented in the FY 2000 Review	+$3,271			
Equals:	FY 2001 Economic Value Presented in the FY 2000 Actuarial Review		**$20,233**		**3.80%**
Plus:	Change in Estimated Present Value of Endorsements Originating in FY 2001	-$587	$19,646	-0.02%	3.78%
Plus:	Change due to economic forecast	-$585	$19,061	-0.02%	3.76%
Plus:	Change in Interest Income and Administrative Expenses	-$89	$18,972	-0.00%	3.76%
Plus:	Change due to Total Capital Resources estimate	-$49	$18,923	-0.00%	3.76%
Plus:	Econometric Model Refinements	-$413	$18,510	-0.01%	3.75%
Equals:	**Estimate of FY 2001 Economic Value**	**-$1,723**	**$18,510**	**-0.05%**	**3.75%**

Further details of these changes are provided below.

- The net effect of loans endorsed in FY 2001 is a decrease in the economic value of the Fund of $587 million and a decrease of 0.02 percent in the FY 2001 capital ratio due to slower growth in the economic value relative to the IIF. This is most likely driven by an increase in concentration of loans in the less profitable "high" loan-to-value category relative to our estimates from last year's Review.

- The long-term macroeconomic forecast published by DRI as of October 2001 differs from the forecast used in the FY 2000 review. Interest rates are higher in the 2003 and subsequent years, which leads to lower prepayment rates and higher claim rates for the next several years. Unemployment rates are also higher relative to the FY 2000 forecast. Lastly, we are using DRI's house price appreciation assumptions directly this year, whereas last year we based our assumptions on internal analyses. We estimate the impact of these changes to be approximately a $585 million decrease in the economic value and a decrease of 0.02 percent in the FY 2001 capital ratio.

- In the 2000 Actuarial Review, countrywide unemployment was used as an independent variable in the regression analysis we performed. This year, regional differences were considered in the regressions. A second change we incorporated in our analysis was the inclusion of a covariance term in the calculation of the probability of negative equity in the forecast period, where we apply the results of our regression analysis (performed on regional historical data) to economic conditions that are countrywide. The combined impact of the changes to our modeling process is estimated to be a decrease of $413 million to the economic value of the fund, and a decrease of .01 percent in the FY 2001 capital ratio.

Change in Estimated Future Insurance In-force
The estimated IIF for FYs 2001 through 2008 shown in this review are generally lower than the corresponding figures reported in the FY 2000 Actuarial Review. This is driven by a reduction in forecasts of loan volume in the overall mortgage market provided by DRI/McGraw-Hill. For additional detail with respect to our estimated endorsement year volume, please see *Appendix B, Demand Model.*

Estimated Claim Severities
In the FY 2001 review, as in FY 2000, we adopted a method that examines fiscal quarter loss rates and selects a claim severity rate by loan type – see *Appendix C, Claim Severity Model.* Since 1995 average claim severities have gradually decreased, particularly over the last few years. As explained in the *Claim Severity Model* appendix, we base the selected claim severity on the most recent experience. Using claim severities based on the more recent observed experience has a positive impact on the estimated economic value of the fund. This selection is justified, and in fact is most likely conservative, in light of loss mitigation efforts – again, please see *Appendix C* for details.

Effects of Loss Mitigation
It is our understanding that during FY 1996, Congress passed legislation that authorized the FHA to recompense mortgagees for actions taken to mitigate potential losses by providing mortgage foreclosure alternatives, such as special forbearance, pre-foreclosure sales, deed-in-lieu-of-foreclosure transactions, partial claim payments, and loan modifications. It is also our understanding that in the private conventional mortgage industry, Fannie Mae and Freddie Mac have successfully employed many of these loss mitigation techniques.

The loss mitigation program is expected to reduce the number of foreclosures and to significantly reduce the costs associated with many foreclosures. Evidence is emerging that indicates this program is having economic benefits and perhaps social benefits. The loss mitigation program has been employed for the past four years and has experienced rapid growth. The relatively short history of the program makes it difficult to incorporate in the conditional claim rate models. Because of this, the effects of the loss mitigation program have not been explicitly factored into the claim rate model. It should be noted that this provides a level of conservatism in our results. We are, however, beginning to reflect the impact of the loss mitigation program in the selection of the claim severities.

Additional Comments
The estimates presented here reflect projections of events more than 30 years into the future. These projections are dependent upon a number of assumptions, including economic forecasts by DRI and the assumption that FHA does not change its refund, premium, or underwriting policies from those assumed for this review. To the extent that these or other assumptions are not sufficiently accurate, the actual results will vary, perhaps significantly, from our current projections.

Estimation of the equations used for predicting prepayments and claims require large amounts of loan level data. These data take many weeks of intensive processing before they can be used to estimate the model parameters. Additionally, complete data for a fiscal year are generally not available until a few months after the end of the fiscal year because of reporting and processing lags. We obtained a data extract from FHA in June 2001 that represents activity as of March 31, 2001. This data extract contains loan level information, providing information on both the aggregate level of activity and the distribution of that activity. We have used these data to estimate our econometric claim and prepayment rate models.

Finally, while we have reviewed the integrity and consistency of the data supplied by FHA and believe it to be reliable, we have not audited it for accuracy. Additionally, the information contained in this report may not correspond exactly with other published analyses that rely on FHA data compiled at a different time or obtained from other systems.

Impact of Economic Forecasts

The economic value of the Fund and its pattern of capital accumulation depend on several factors. One of the most important factors is the future economic environment that will exist during the remaining life of the FHA's current books of business. We capture the most significant factors in the U.S. economy affecting the performance of the Fund's books of business through the use of the following economic variables:

- FHA mortgage contract rates – 30- and 15-year
- One-year Treasury Bill rates
- Appreciation in house prices
- Growth of mean household income levels
- Number of mortgage originations

The performance of the FHA's books of business, measured by the economic value of the MMI Fund, is affected by changes in these economic variables. Higher mortgage interest rates raise initial and ongoing payment burdens on household cash flows, and hence claim risks of new originations while decreasing the risk of claims on older loans with below-market interest rates. Lower mortgage interest rates have the reverse effect and tend to accelerate refinancing of earlier originations while increasing insurance claims. Faster average house price growth facilitates the accumulation of home equity, which tends to reduce the likelihood of a claim. It also contributes to greater mobility and household asset portfolio rebalancing, leading to greater turnover of housing and refinancing, thereby increasing prepayment rates. Faster income growth reduces the relative burden of mortgage payments on household cash flows over time, reducing the risk of claims as mortgages mature.

The base case results in this report are based on DRI's U.S. Economy forecast as of October 2001 for interest rates, average house prices, and inflation rates. We also considered four additional scenarios, three of which were based GAO's judgmental scenarios in *FHA's Fund Has Grown, but Options for Drawing on the Fund Have Uncertain Outcomes* (February, 2001). Please note that the scenarios we selected are not strictly derived from GAO's analysis, due in part to the fact that the modeling process we employ is not the same as GAO. The characteristics of these three forecasts are described in *Appendix F, Economic Forecast* of this report. The fourth scenario was based on the economic assumptions from the base case, except for interest rate, change in personal income, and unemployment, where OMB's economic assumptions for the FY 2003 Budget were used. It is important to note that these scenarios do not represent the full range of possible outcomes, but represent variations from the base case that might reasonably be expected. We present our estimates of the Fund's performance under each of economic scenarios in Table I-3.

We project that under all five scenarios, the Fund will exceed the NAHA FY 2000 capital ratio target of 2.00 percent.

Table I-3

Projected MMI Fund Performance by Macroeconomic Scenario ($ Millions)

	Base Case	Low House Price Appreciation	High Interest Rates	High Unemployment	DRI/OMB
Current Economic Value (FY 2001)	$18,510	$16,327	$19,581	$17,258	$17,323
Current Capital Ratio (FY 2001)	3.75%	3.31%	3.97%	3.50%	3.51%
Projected Capital Ratio (FY 2003)	4.38%	3.51%	3.25%	3.96%	4.90%
Projected Capital Ratio (FY 2008)	5.10%	3.97%	4.18%	4.23%	6.09%

homes & communities
U.S. Department of Housing and Urban Development

news release

HUD No. 02-025	**For Release**
Contact: Lemar Wooley	**Wednesday**
(202)708-0685 x6631	**February 20, 2002**

FHA HOME MORTGAGE INSURANCE PROGRAM STRONG, SAYS INDEPENDENT STUDY

WASHINGTON - An actuarial report issued today by the accounting firm of Deloitte & Touche says the Federal Housing Administration's Mutual Mortgage Insurance Fund, that helps low- and moderate-income families become homeowners, is in its strongest financial condition since at least 1989, when the first annual independent actuarial study of the MMI Fund was conducted. The Fund's capital adequacy ratio is 3.75 percent, well above the Congressionally mandated minimum of 2.0 percent.

FHA mortgage insurance encourages mortgage companies to make loans to borrowers who might not otherwise be able to meet conventional underwriting requirements, by protecting the mortgage company against loan default.

"Homeownership in America continues to set records," said Housing and Urban Development Secretary Mel Martinez. "FHA is the federal government's largest program to promote homeownership, and this report shows that we can continue helping thousands of families to realize the American dream."

Martinez noted that the capital ratio increased even though the economy has been in a recession. "Housing has been the strongest sector of the economy, and has helped to moderate the economic problems of the last year," he said. He cautioned, however, that FHA claims typically are highest in the early stages of an economic recovery.

The Deloitte & Touche study also reported that the economic value of the MMI Fund rose to $18.5 billion, an increase of $1.5 billion from fiscal year 2000. The economic value of the fund is defined as the sum of existing capital plus the present value of current insurance in force.

"This new study shows that FHA is working for America's families," Martinez said. "Very few programs can say they help millions of families realize the American dream without costing taxpayers a penny."

FHA does not make mortgage loans directly, but rather insures loans made by private lenders to homebuyers. The program is sustained entirely by borrower premiums. Since 1934 it has enabled almost 30 million American families who would otherwise be locked out of the mortgage market and homeownership to qualify for mortgages.

FHA now insures more than 6.6 million single-family mortgage loans with a total value of $499 billion. When homeowners fail to make payments on mortgages insured by FHA, the agency first tries to help them stay in their homes through foreclosure avoidance. If this is not successful, the lender forecloses on a home and conveys it to FHA in exchange for FHA payment of the outstanding mortgage balance. FHA then puts the home up for sale.

FHA-insured loans also benefit homebuyers in these ways:

- FHA downpayments of three percent are lower than the minimum that many lenders require for non-FHA mortgages. Higher downpayments are a major roadblock to homeownership.
- FHA's requirement for homebuyer credit ratings are more flexible than those set by many lenders for non-FHA borrowers.
- FHA permits a borrower to carry more debt than a private mortgage insurer typically allows.

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Read the Deloitte & Touche actuarial review

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AFFORDABLE HOUSING PRODUCTION AND WORKING FAMILIES

WEDNESDAY, SEPTEMBER 25, 2002

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND TRANSPORTATION,
Washington, DC.

The Subcommittee met at 2:35 p.m. in room SD–538 of the Dirksen Senate Office Building, Senator Jack Reed (Chairman of the Subcommittee) presiding.

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. The Subcommittee will come to order.

Good afternoon. I would like to welcome everyone to today's Subcommittee hearing on Affordable Housing Production and Working Families.

Although there are a number of Federal programs that are encouraging the production of affordable housing, they are falling short of meeting the housing needs of our country's hardest-working families. Despite incredible demand, cuts in these programs which began in the 1980's have allowed only a limited number of units to be produced. In addition, housing price increases over the last two decades have outstripped income growth, making homes too expensive for many working families.

One out of every seven American families spends more than half their total income on housing or lives in a severely inadequate unit. That is 15.5 million families, both homeowners and renters.

Working hard and playing by the rules is currently not enough to allow a family to have decent, safe, and affordable housing.

For the fourth year in a row, the National Low Income Housing Coalition, in its *Out of Reach Report,* shows that there is no place in the United States, urban or rural, where the minimum wage is enough to afford the standard rent for a two-bedroom apartment. A worker would have to earn $14.66 per hour, far more than the minimum wage of $5.15 per hour, just to afford the median market rent, let alone save for a downpayment on a home.

In my own State of Rhode Island, where the minimum wage is slightly higher than the national at $6.15 per hour, a worker still has to work 86 hours in order to afford a two-bedroom home. This problem is affecting both our middle- and lower-income families. Teacher, police officers, and nurses are struggling to afford housing in high-cost areas.

Simply put, in too many places across America, there are not enough homes for the number of families who need them and those that are available are too expensive for middle- and lower-income families.

Too often, working families have the worst of both worlds—they have too much income to qualify for the limited housing assistance available, but too little to benefit from the favorable tax treatment given to homeowners.

In addition, families who are paying too much in rent are not able to save up money for the downpayment on a house. Critical housing needs are not concentrated in urban areas. All regions of the country have experienced increases in critical housing needs. Only 1.6 million of those with critical housing needs live in central cities. Another 1.5 million live in the suburbs and about 660,000 families live in rural areas.

Thus, it is our hope today that by holding this hearing, we will continue to highlight the urgent need for production of affordable housing for working families and continue to build consensus that something needs to be done to address this critical issue.

Today, we will hear from two panels of witnesses. The first panel will consist of my colleagues, Senator Christopher "Kit" Bond of Missouri, and Senator John Edwards of North Carolina. Our second panel will consist of Mayor Thomas M. Menino of Boston, who is also President of the U.S. Conference of Mayors. Mr. Richard H. Godfrey, Jr., Secretary of the National Council of State Housing Agencies and also the Executive Director of Rhode Island Housing and Mortgage Finance Corporation. Finally, Mr. Bill Picotte, who is President, Housing Assistance Council; and Executive Director, Oti Kaga, Inc. of the Cheyenne River Sioux Reservation.

Each of our witnesses has been asked to testify about the impact of the affordable housing shortage, strategies for increasing or stimulating affordable housing production, and any proposals that should be considered as part of Federal legislation to encourage the production of affordable housing for working families.

Now before I recognize Senator Sarbanes for his opening statement, let me say all the statements have been received for the record and we would ask all of our witnesses to try to adhere to a 5-minute time limit.

Thank you very much.

Senator Sarbanes.

STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Mr. Chairman, I will be very brief, out of deference to our colleagues who are here and we are very much interested in hearing from them, and I know that they have, as we all do, pressing schedules.

Also let me commend you for holding another hearing on this critically important issue of affordable housing.

I think that this effort to develop a consensus on this issue is extremely important. We have to act on this. It is a pressing crisis all across the country, hidden, to some extent, but becoming more and more manifest. I appreciate the fact that you referred to the recent report of the National Low Income Housing Coalition, *Out of Reach.*

Every year they come out with this report and they have now structured this concept of the housing wage, how much would one have to earn in order to afford a minimal level of rental housing. And of course, what they are now telling us—actually, there is no city or county in the Nation where one minimum wage-earner can afford to rent a modest, two-bedroom apartment. In three-quarters of the States, a family needs to have more than two full-time minimum wage-earners in order to pay the rent.

That gives you some sense of the gap between what people are earning and what is needed in order to obtain affordable housing. It is very important that we are focusing on this. I very much appreciate the concern and the initiatives which both Senator Bond and Senator Edwards have taken on this issue.

I am also pleased that we have this very distinguished panel to follow, with Mayor Menino, the very able Mayor of Boston, who heads up this year the Conference of Mayors.

Mr. Godfrey, from your own State, we know of the quality of the Rhode Island program.

And Mr. Picotte, we are delighted that he is here with us today. I know that Senator Johnson has taken a particular interest in trying to address the housing question on the Indian reservations, and it is an issue that he has been following very closely. In fact, we have held some other hearings that he helped to initiate on that very important question.

Thank you very much.

Senator REED. Thank you, Senator Sarbanes.

Let me recognize Senator Bond, who has long been a leader on this issue and now serves on the Appropriations Committee, where he continues to provide extraordinary leadership.

Senator Bond.

STATEMENT OF CHRISTOPHER S. BOND
A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator BOND. Chairman Reed and Chairman Sarbanes, thank you very much for giving me the opportunity to comment on the affordable housing needs of low-income families, especially extremely low-income families.

You have outlined in your opening remarks why this is such an important issue, and while this Nation has made substantial progress through its housing programs, clearly we all agree that there is still much that needs to be done, especially for the extremely low-income families, those at or below 30 percent of the median income. In part, to help focus the debate on the need for housing production for extremely low-income families, and to give us a starting point, I have recently introduced with Senator Collins, S. 2967, the Affordable Housing Expansion Act of 2002. I ask that a summary of the provisions of the legislation be included, along with my full written statement, as part of the record.

Senator REED. Without objection.

Senator BOND. You will be relieved to know I will give a briefer summary.

[Laughter.]

The Affordable Housing Expansion Act of 2002 would establish a new block grant program to be administered by HUD, who would allocate funds annually through a block grant to State housing finance agencies to develop mixed-income housing. These Federal block grant funds would be targeted solely to the development of very low-income and extremely low-income housing units within mixed-income housing. Our formula would allocate on a per-capita basis with no State receiving less than $6 million. States also would have to contribute a 25 percent match. Up to 20 percent of these block grant funds could go to preserve existing low-income multifamily housing and for the rehabilitation needs of low-income multifamily housing.

I know there is a difference of opinion as to the entity to administering the housing production program, a lot of different ideas on it. I chose to use State housing finance agencies. I have seen the effectiveness of the Missouri Housing Development Corporation. I served on it in a prior life. I have worked with housing finance agencies across the country and I have seen their effectiveness in administering the low-income tax credit program. I think State housing finance agencies know the local housing markets within their States and they have the experience and funding sources to ensure effective use of Federal housing funds.

Also, the question of funding has been one of the roadblocks that has long hampered the consideration of a new housing production block grant program for extremely low-income families. The question of funding is a difficult issue. While a housing production program needs to be a priority for this Nation, I know in my work with Senator Sarbanes' colleague from Maryland, Senator Mikulski, on the VA–HUD Independent Agencies Appropriations Subcommittee, there are a number of other very important and pressing needs, including the need for increased funding for veterans' medical care, EPA water and wastewater infrastructure needs, science research space, and emergency response.

Nevertheless, I believe we should look at reserving any "excess" Section 8 funds, up to $1 billion a year, for the production of low-income housing. To me, this is a credible source of funds, especially since every year, we go through the frustration of seeing Congress and the Administration, both parties raiding the excess Section 8 funds, rescinding a billion dollars or more a year to pay for other program priorities. Some of them may be in HUD, VA, and EPA, but they can just as well be some place else. This is a honey pot that is taken out of housing to be used elsewhere. I think we should keep it in housing. And contrary to popular belief, these Section 8 funds can be rescinded so that not a single family will lose any housing or housing assistance. They are not necessarily funds that come because people cannot find housing.

The Affordable Housing Expansion Act of 2002 also provides new authority for low-income housing production under Section 8 and the Public Housing program. Under the Section 8 program, the bill provides new authority for a "Thrifty Voucher" program that will allow the use of Section 8 project-based assistance for new construction, substantial rehab and preservation of affordable housing for extremely low-income families, and I believe the Chairman has worked on that effort in the past.

This bill also would authorize a new loan guarantee program that will allow public housing agencies to rehabilitate existing public housing or develop off-site public housing in mixed-income developments. This is an important tool we have included in the appropriations bill. It would allow Public Housing Agencies to be more aggressive in addressing the over $20 billion backlog of public housing capital needs.

The Act I am proposing is the first step toward addressing a growing shortage of affordable housing for very low-income and for extremely low-income families. As noted, HUD's most recent report in 1999 on worst-case housing needs concluded that the shortage of affordable housing has worsened. In particular, the number of affordable housing units available to extremely low-income renters dropped at an accelerated rate from 1997 through 1999.

As has been stated, I believe, the report found a record of 5.4 million families that have incomes, 50 percent of the median income or below, and pay at least 50 percent of their income in rent. These worst-case housing needs have become increasingly concentrated among families with very low incomes and extremely low incomes.

Further, we have lost 200,000 units of Section 8 project-based units to rent increases, as well as to decisions by owners of the housing not to renew, and in many areas such as my State, families with vouchers simply cannot find housing in tight rental markets. The Council of Large Public Housing Agencies in 2000 found that the average turn-back rate for vouchers was 19 percent, that means for every five vouchers put out, one holder came back and could not find housing even with a 6-month extension. In addition, the survey found that it took the average voucher holder 85 days to find housing. And while voucher utilization is improving, some 892 PHA's in 2000 and 715 in 2001 had voucher utilization rates of below 90 percent. Finally, as families age and people live longer lives, we are beginning to face a new crisis of a lack of affordable housing for seniors.

The bill I am proposing should provide additional needed tools to allow States and communities to develop this needed housing. Decisions would be driven by local choice and need, particularly where there is little or no housing for families and seniors at the low end of the economic scale. These families need to be served and the cost to build affordable housing is small compared to potential cascading social and economic cost from failure to provide it.

One final issue. I know the Subcommittee has concerns regarding HUD's new legal position that would support the ability of certain Section 8 project owners to opt-out of Section 8 contracts where an owners has prepaid the mortgage on a multifamily housing project insured prior to 1980. I do as well. I have asked for and am awaiting a response from HUD on a number of related questions, but absent clear evidence from HUD in support of its legal interpretation, I am deeply concerned that HUD's new position is contrary to both policy and law. HUD's position is also creating substantial uncertainty in the housing marketplace and I hope that we can convince them to rethink that position.

I thank you, Chairman Reed, and Senator Sarbanes. We look forward to working with both of you. I would be happy to try to answer any questions you might have.

Senator REED. Thank you very much, Senator Bond. And likewise, I look forward to working with you and thank you for your attention to this very critical issue for all of our constituents.

Senator SARBANES. Mr. Chairman, can I say——

Senator REED. Absolutely.

Senator SARBANES. —that we strongly share your views on the HUD issue that you raised right at the end of your testimony. We have been in touch with them, as I know you have. I think it is bad policy and, as you suggest, there are serious questions whether even legally they have the authority to undertake what they seem to be trying to do.

Senator REED. Thank you.

Senator John Edwards of North Carolina, with a passion and an advocate for people, as a lawyer, and he continues that. This is one of those issues which he is particularly concerned about.

Thank you for joining us, Senator.

Senator Bond, if you have to leave——

Senator BOND. I received one of those blackberry messages. I am not sure whether it is timely or whether it is an hour late. But they told me that I was needed. I apologize to my colleague from North Carolina. I will look forward to reading his testimony.

Thank you.

Senator REED. Thank you, Senator.

Senator Edwards.

STATEMENT OF JOHN EDWARDS
A U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Senator EDWARDS. Thank you to both the Chairmen. Thank you for holding this very important series of hearings on housing in America. I am grateful for the opportunity to be here today to talk generally about the need for increased rural housing, and to talk more specifically about legislation I have introduced, the Rural Rental Housing Act.

Of course, this problem of the shortage of affordable housing is also a problem for families in our cities and it is a serious problem that we have to address. But today, my focus will be on the problem as it exists in rural America.

There is nothing more important to a good life in America than a good home. And there is no problem in rural America larger than the shortage of affordable housing. For working families in rural America today, the shortage of affordable housing is becoming a crisis.

About 2.6 million rural households live in housing that either has serious structural problems or doesn't have indoor plumbing, heat, or electricity. In North Carolina, my State, the problem is even bigger. As many as one in 10 people in five of North Carolina's rural counties live in inferior housing.

The rural housing shortage is also part of a bigger problem in rural America. In America's economy today, rural areas are falling behind. They do not have the access that they need to technology, to lending, and to investments that will create good jobs. As a result, while Americans in rural areas have always been poorer than Americans in cities, that gap has grown larger since 1979. In many rural North Carolina counties, 20 percent or more of the people live below the poverty line.

Rural areas cannot address their housing problems alone, but Washington has turned its back on the problem. Federal investment in rural rental housing is at its lowest level in more than 25 years. This year, the Administration's budget provided zero dollars for building rental homes in rural America—zero.

More generally, as the Millennial Housing Commission said in its recent report, and I am quoting, "Rural housing needs . . . are often neglected by major Federal housing programs. . . ." That is the truth.

So the shortage of affordable housing in rural areas is a crisis for working families and it is a crisis that we in Washington are not addressing.

Mr. Chairman, let me talk briefly about how my legislation addresses this problem.

Owning a home is a central part of the American Dream, but the reality is that many working families cannot afford to buy a home. These people still need and deserve a decent roof over their heads. One in five rural renters pays more than 50 percent of their income for housing. For a typical working family, that is not sustainable.

So, we have to do something to address the shortage of rural rental housing that is affordable.

That is what this bill is about. The Rural Rental Housing Act would create a $250 million Federal fund to build or rehabilitate rental housing that addresses urgent local needs. The fund would work in a smart innovative way. Rather than creating a new bureaucracy, we would say that people closer to the grassroots, not people here in Washington, would make the decisions about how these funds are spent. Rather than having one agency dictate how the funds are spent, we would encourage partnerships among private developers—banks, States, and nonprofits. Rather than limiting Federal funds to a few projects, we would stretch Federal dollars by requiring substantial amounts of matching funds from the State and local levels. And we would focus the funds on the people who need the help the most.

Let me give one example of how this program would work.

Shelby, North Carolina, which is in the western part of our State, has a population of about 20,000 people. Charles Place is a 40-unit affordable housing complex for the elderly in Shelby. It is a good, dignified place for an elderly person to retire—nice, one-bedroom apartments, open common spaces, and nice landscaping.

Thanks to a partnership among lots of different entities, these apartments are available at a reasonable rental rate that people can afford—less than $300 a month. That is the kind of housing that this legislation would support.

There is no question that the Rural Rental Housing Act is only one part of the solution to the problem of affordable housing facing rural America. There is much more that we need to do. But this Act is a solid step on the road to making sure that Americans who live in rural areas enjoy all the opportunities and all the promises of life in our great country.

I look forward to working with both the Chairmen on this issue. I thank you for your focus on an issue that is critically important to all of America. And thank you for allowing me to testify.

I ask that my entire statement be made a part of the record.

Senator REED. Without objection, thank you very much, Senator. And thank you for your particular concern about rural housing.

That is an issue that is noted, but sometimes not followed up on, as you intend to do.

Senator EDWARDS. Thank you very much, Mr. Chairman.

Senator REED. Let me now call the second panel to the dias.

I welcome our second panel, beginning with Thomas M. Menino, the Mayor of Boston, since 1993. Tom has done a remarkable job in Boston. It is one of the great cities of America, right up there with Providence, Rhode Island.

[Laughter.]

We appreciate what you have done. We also appreciate the fact that you are now serving as the President of the U.S. Conference of Mayors. You took it upon yourself to ensure that, in addition to homeland security, housing was one of the major issues that the mayors would address this year in going forward. We thank you.

The second panelist is Mr. Richard H. Godfrey, Jr., Executive Director of the Rhode Island Housing and Mortgage Finance Corporation. Richard also serves as the State Housing Commissioner and the Executive Director of the Rhode Island House Resource Commission.

Let me tell you from first-hand experience, there is no better housing administrator in the United States than Richard. His colleagues and he have done great work in Rhode Island to give people the opportunity to live decently and afford their shelter.

Thanks, Richard.

Finally, we are joined by Bill Picotte. He has been a Member of the Housing Assistance Council Board of Directors since 1993 and currently serves as its President. He is also Executive Director of Oti Kaga, Inc., a nonprofit housing development corporation that he founded in 1993. He is a Member of the Board of Directors of the National Rural Housing Coalition and also a Member of the Cheyenne River Sioux Tribe.

Thank you, Bill, for joining us and we look forward to the testimony of all our panelists.

Let me now recognize Chairman Sarbanes.

Senator SARBANES. Thank you very much.

Mr. Chairman, can we get Baltimore included on that list with Boston and Providence.

[Laughter.]

Senator REED. I think there are a lot of similarities. The big bay. I think they fit.

[Laughter.]

Senator SARBANES. Mr. Godfrey, I am sure you would agree with me, after having heard those very laudatory remarks from Senator Reed, that you have an outstanding Senator from Rhode Island here with really terrific perceptions about what realities are.

[Laughter.]

I am going to apologize to this panel. I am not going to be able to stay, unfortunately. I do want to in particular, though, commend Mayor Menino for putting the affordable housing issue on the top of the agenda for the U.S. Conference of Mayors. I think that is an enormously important contribution and I think it is providing some impetus for our efforts here to try to develop some consensus thinking on the affordable housing issue.

Of course, this session of Congress is coming to a close, but we have the next one not too far in the future. And that will still be during your term as President of the Conference of Mayors. Maybe we can use that as an incentive to try to move things along, so it can happen on your watch. That would be a nice accomplishment.

We know the energy and effort you are putting into this and before I departed, I wanted to express my appreciation to you.

Mayor MENINO. Thank you, Mr. Chairman.

Senator REED. Mayor Menino, all the statements are a part of the record. If you would like to summarize, that is perfectly appropriate. Please go ahead.

STATEMENT OF THOMAS M. MENINO
MAYOR, CITY OF BOSTON, MASSACHUSETTS
PRESIDENT, U.S. CONFERENCE OF MAYORS

Mayor MENINO. Thank you.

Senator Reed, Senator Sarbanes, thank you both for being at our conference in May to address the Mayors of America. Both of you could be suburbs of Boston, if you want, Providence and Baltimore.

[Laughter.]

We will accept you.

[Laughter.]

Mr. Chairman and Members of the Committee, thank you for inviting me to speak about the shortage of workforce housing that too many American families face today. As Mayor of Boston and President of the U.S. Conference of Mayors, this issue is at the top of my agenda because strong cities must meet the diverse needs of their housing markets.

And Senators, despite our best efforts at the local level, we cannot do it alone. We need a real group of partners and Washington must be a better partner. We need our national leadership to: Expand the supply of housing for working families, seniors and the needy; make homeownership a more attainable goal, particularly in communities of color, and; preserve the stock of reasonably priced housing we have now—from public housing to assisted living.

Despite, or maybe because of, the strength of the housing economy across our country, working families and people of all ages, at different income levels, are struggling to keep a roof over their heads. So the time has come to give this national issue the real attention it deserves.

This evening, mayors from across this country will be arriving in Washington for our first "Lobby Day." And one issue that will be at the top of everyone's agenda is the need for more housing.

Too many families are falling through the cracks. According to the National Low Income Housing Coalition study, *Out of Reach,* for the fourth year in a row, there is no jurisdiction in the United States where a minimum-wage job provides enough income for a household to afford a two-bedroom apartment.

Just think about that.

From State-to-State and from city-to-city—the story is the same. The situation in Boston is indicative of the situation in many communities throughout this country. In Boston, the average two-bedroom apartment costs $1,600 a month. To afford that, you need to earn at least $64,000 per year. If you are working a job that pays the Federal minimum wage, that means you have to work 72 hours per week—and use 100 percent of your earnings to pay the rent.

And for many families, public assistance is no assistance. In Boston, a family of four has to earn under $28,250 to qualify for public housing—and under $33,900 to be eligible for the HOME program and Low-Income Housing Tax Credits.

As we go through these issues, Mr. Chairman, housing is one of those issues that affect us in so many different ways. I look at it as it affects a family in health and education because the infant mortality rate in people who do not have permanent housing are up tremendously.

Education—if a kid doesn't have a stable home life and lives in a shelter, they are not able to be educated. They go from school to school during the course of the year.

It is no wonder that over the past decade in our country, homelessness has more than doubled. And more than 80 percent of the people in our shelters are working mothers with children. Meanwhile the average wait for people with emergency housing needs is 21 months. The Boston Housing Authority has over 15,000 families on its waiting list.

Mr. Chairman, in Boston, I believe I am doing my part. I do not mind being the leader—but I do not want to be the loner. We have permitted more than 5,000 new units in the last 2 years and I have dedicated $30 million in city funds for housing creation. And in the 28 cities and towns around Boston, they have created 471 units.

Just think about that, about the affordability of workforce housing. They talk about it in suburbia, but they do not want to do it.

The cities need housing. We need a national housing agenda and we need it now. Delay carries a high price—cities like Boston risk becoming a place where only the very rich and the very poor can afford to live.

I should add that the housing crisis is not just a problem on the two coasts, as many believe. Studies have shown housing costs rising dramatically in States such as Minnesota and Colorado. And I recently received an invitation to speak in North Carolina on this issue, so the problem is clearly expanded beyond what we think of as the high-cost communities.

So the time is right to invest in housing. It is also the perfect medicine for a sluggish economy. Remember, when you add up all the building costs, people buying appliances and furniture, housing counts for one-fifth of our Gross Domestic Product. It puts people to work, builds stronger communities, and strengthens families.

How much housing do we need? The National Housing Coalition predicts that by 2010, we will need an additional 11 million housing units.

To make housing available to everyone, we have to reverse some troubling trends: First, between 1997 and 1999, we lost more than 200,000 affordable units. In the absence of any new production, we have to preserve all our assisted units. Second, homeownership is at 67.9 percent. But for African-Americans and Latino families, it is only 45 percent. Third, the number of 25 to 34 year-olds living with their parents has reached record numbers. We need to give young people a chance to jump-start their lives. Fourth, funding for assisted housing for seniors remains flat, despite the fact that they are the largest growing segment of our population.

To move forward, we must create a national strategy—that is why in May, I convened the Conference of Mayors National Housing Summit. We met for 2 days with some of the best minds in the housing business and we reached out to new partners including labor, seniors, and leaders in the public health and business communities. We concluded that this new strategy should include:

One, establishing a strong housing production program, such as a National Affordable Housing Trust Fund—based on the 200 funds established in communities across this country, including Boston. Last week, Los Angeles Mayor Hahn created a $100 million housing trust. I applaud the efforts of Senators Kerry, Bond, and Edwards, who along with Representative Sanders and others, have filed strong proposals for this.

Two, at the same time, we need to provide incentives to builders. One way to do this is to provide a tax credit for the development of homeownership housing as the President has proposed.

Three, we should work to expand employer-assisted housing programs for working families. In Boston, we have Citizens Bank, which you are familiar with, which has done that.

Senator, for the record, I would like to submit a copy of our comprehensive National Housing Policy, as approved by the mayors at our Annual Meeting this spring. It is our hope that this document will add to the long-needed debate on how to provide every American with safe, decent, and affordable housing.

I see the red light is on. Mayors do not have red lights.

Senator REED. In Boston, no one pays attention to red lights.

[Laughter.]

Mayor MENINO. Well, I pay attention. So, I just want to tell you, this is one of those issues, Senator, you know it, you are one of the experts. I have been with you at several forums. It takes you 2 or 3 years to get it done, to get through all the politics of it. But it is the most important issue that we face in America today.

More and more families come to me out in the neighborhoods of our city and say, how can I afford to live in these apartments?

I had a family in Brighton. A year and a half ago, they were paying $750 a month rent. Today, they are paying $1,500 for that same apartment—two bedrooms, and the gentleman makes $1,900 a month. His whole take-home is going to pay for that rent.

We have to get into the production business. HUD several years ago turned out hundreds of thousands of units per year. Now it is a mere trickle.

It is time for us to realize also that housing is an important part of our economic stimulus package. Like I said, it creates jobs. People have to buy appliances, all those things.

So, Senator, I ask you to work with us and we will work with you as we go forward in this housing crisis.

Senator REED. Let me thank you, Mayor Menino. If you have additional comments, we would be happy to hear them because you are right on target and your experience is not hypothetical.

Every day, you go through the cities and the neighborhoods of Boston and you encounter people, as I do in Rhode Island, and it is the same refrain over and over—I cannot find a place to live. I cannot afford the place I am living in. And one major avenue of redress is production. I hope we can do something.

Let me join with Senator Sarbanes and reiterate my initial compliment because you have taken this issue, which was out there, everyone sensed it, and you made it a major plank in the effort of our mayors.

One of the things that troubles me is that this issue is so obvious to all of us when we go home, it just doesn't translate here in Washington to get effective action. So your presence here today, your leadership with the mayors, is absolutely extraordinary and I thank you for that.

Mayor MENINO. Thank you, Mr. Chairman.

Senator REED. I do not know what your schedule is like, Mr. Mayor. If you have to depart, then you certainly go with our thanks and our appreciation. If you would like to stay, I will have Mr. Godfrey and Mr. Picotte testify and then we will have questions.

Mayor MENINO. Thank you very much.

Senator REED. Thank you very much.

Mr. Godfrey, please.

**STATEMENT OF RICHARD H. GODFREY, JR.
EXECUTIVE DIRECTOR, RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
SECRETARY & MEMBER, BOARD OF DIRECTORS
NATIONAL COUNCIL OF STATE HOUSING AGENCIES**

Mr. GODFREY. Thank you, Chairman Reed.

I want to echo the thanks to Mayor Menino for his leadership on this issue. It really has moved housing to the fore, as it should be. Thank you.

I speak today on behalf of the 50 State housing finance agencies. State housing finance agencies administer many of the housing production program funds right now across the country, including the Low-Income Housing Tax Credit, the HOME funds, and the issuance of MRB's.

I want to thank the Members of the Senate who sponsored and cosponsored S. 677, which is the Housing Bond and Credit Modernization and Fairness Act. This is a critical bill because half of the bond cap which Congress recently enacted will be wiped out unless the 10-year rule is repealed. So, I want to thank all of you who have cosponsored that bill and I urge the leadership to get it passed this year.

We do confront in our country right now an affordable housing crisis. You acknowledged that one in seven families has a severe housing problem. Sixteen million families spend more than half of their income on housing or live in substandard housing. Indisputably, those hardest hit have the least income.

Of the 16 million families with severe housing problems, 80 percent are very low income. Steady losses of affordable apartments exacerbate the problem. A million fewer apartments are affordable now to extremely low-income families than were in 1991.

We need a Federal production program right now. The private sector is not meeting the need. Rents that families can pay are not sufficient to support the production and operation of rental housing without substantial subsidies. In Rhode Island, for example, over the past 3 years, we have seen rents for a typical two-bedroom apartment go from $613 a month to $854 a month.

Unfortunately, it will take $1,500 in rent to stimulate the start of new construction in the private sector. So going from $600 to $1,500 is just a burden that families cannot bear, so the private sector cannot meet this need. We need the Federal intervention right now. Existing Federal housing resources are not sufficient. Demand for housing far outstrips supply. One-third of the families eligible for housing assistance can get it.

Meanwhile, we have seen HUD's budget shrink by about two-thirds in real dollars since 1976. Funneling more resources into existing programs will not solve the problem. HUD's programs were not designed to be major producers of new housing. We have not had a major production program in HUD since the demise of the Section 8 program in the early 1980's.

Even the housing credit, the greatest single producer of affordable rental housing today, was not designed to serve extremely low-income families.

While States consistently serve families earning considerably less than the 60 percent of average median income, State HFA's, such as Rhode Island, and across the country, are finding it extremely difficult to meet those lowest income needs.

In Rhode Island, we recently convinced the legislature to commit State funds to be able to subsidize those rents which we can get with the tax credit program to reach the lowest-income families. The legislature appropriated $10 million this year, and we are using it with the tax credit program. It increased affordability, but it did not increase supply, and we need increased supply.

We believe the best solution can be achieved without designing a new program. All that is needed is a Federal commitment of new flexible funds allocated through State HFA's which can then leverage the entire panoply of other funds out there.

We recommend that rental production funds be administered by the States for at least four compelling reasons:

First, at the State level, we are in the best position to judge where the needs are greatest. Housing needs in cities, suburbs, and rural areas do not exist in isolation. We can work with the local governments to meet those needs. We have the ability to marshal other resources, as we have done, for example, with welfare agencies using TANF funds.

Second, any funds which the Federal Government provides we assume would be not sufficient. If we divide it up in greater than 50 parts, we lose the economy of scale. Housing production is very expensive. We need to be able to marshal and put those funds in the best places.

State housing finance agencies have proven their ability to administer sophisticated multifamily financing programs. We possess the underwriting and, more importantly, the asset management capability, to assure that these developments and these apartments will be available over the long run.

We have a many-decade record of responsibility and effectiveness in administering tens of billions of funds. We are the only point where Federal, State, and local resources can be brought together in one place to meet that need.

Any new production program should leverage and should expand the current housing programs. It should be integrated with the existing allocation plans and funding systems. And it is essential that any income, rent, and other rules be flexible enough to ensure compatibility with the housing credit and with other Federal housing programs.

Finally, HUD regulation must be kept to a minimum. Several Members of Congress, the Millennial Housing Commission, and a number of housing groups, including the Senators you heard from here today, have put forward proposals for meeting the rental housing need.

You have seen Senator Kerry's National Housing Trust Fund, along with Senator Bond's Affordable Housing Expansion Act. We urge you to take these programs and move forward with a Federal production program. We urge it to be administered by the States, but we need action now.

Thank you very, very much.

Senator REED. Thank you very much, Richard.

Mr. Picotte.

STATEMENT OF WILLIAM (BILL) PICOTTE PRESIDENT, HOUSING ASSISTANCE COUNCIL EXECUTIVE DIRECTOR, OTI KAGA, INC. CHEYENNE RIVER SIOUX RESERVATION

Mr. PICOTTE. Good afternoon, and thank you, Chairman Reed, for holding this important series of meetings.

My name is Bill Picotte, and I am Executive Director of Oti Kaga, Incorporated, located on the Cheyenne River Sioux Indian Reservation in north central South Dakota. I am also President of the Board of Directors of the Housing Assistance Council, as you said. My testimony today focuses on housing production in rural areas, and I have submitted a longer statement for the record.

Senator REED. Thank you very much.

Mr. PICOTTE. Let me tell you a little bit about the Cheyenne River. The family poverty rate for the Cheyenne River Sioux Indian Reservation is 41 percent. Median family income is $15,800. That is median income, and that may be something that is difficult to grasp in a metro area like this, where median income is $50,000 or higher. The homeownership rate for the Cheyenne River Sioux is 52 percent, that is compared to 67 percent nationally. Our Housing Authority's Indian Housing Plan currently documents a need for 1,747 housing units, including 1,104 for new rental units, and 309 new homeownership units.

To help with this need, Oti Kaga develops both single-family and multifamily housing. We also provide loan packaging for USDA programs and housing counseling services. Essentially, we are engaged in affordable housing production, the focus of today's hearing. We use low-income housing tax credits and the USDA Rural Housing Service's Section 502, 504, and 515 programs. We also use HUD Section 184, the HOME programs, and the Affordable Housing Program of the Federal Home Loan Banks, along with partnering with the Enterprise Foundation and other resources.

Production of new units is not the only way to meet housing needs, but it also is an essential tool, especially in rural areas.

Both substandard quality and affordability are major problems in rural housing, especially for low-income people. Approximately 5.5 million nonmetro households pay more than 30 percent of their monthly incomes for housing and more than 2.4 million pay over half their incomes for housing. Substandard housing also still exists, especially in rural areas in central cities. 6.9 percent of nonmetro units are either moderately or severely inadequate.

To help meet these needs, Federal programs are vital. Federal housing assistance has played an important role in the production of affordable rural housing since the mid-1930's. Yet, according to a methodology developed by the HAC, only 7 percent of nonmetro households receive some type of Federal or other publicly-supported housing assistance. One successful production approach is that of the Rural Housing Service. After producing over 3 million units since 1950, USDA programs have been sharply reduced in recent years. A primary example is the Section 515 rural rental housing program.

In fiscal year 1994, Section 515 funded 11,542 units of affordable rural rental housing, but in fiscal year 2001 the program funded only 1,621 units, an 86 percent reduction. The larger Section 502 single-family loan program has also seen deep cuts. These programs need to be maintained and restored.

Several Federal housing programs have also been affected by a shift in emphasis to indirect subsidies such as loan guarantees. One significant result is a reduction in the number of low-income households served.

HUD programs are also very important to housing production in rural America. The CDBG and HOME programs are vital. So is the HUD Rural Housing and Economic Development Program, which this year had a $25 million appropriation. Oti Kaga has won three RHED grants since its inception, which help our local nonprofits with both bricks-and-mortar gap funding and capacity building dollars. The funds are highly competitive and go directly to community groups. The Bush Administration has twice proposed eliminating the program, but the Congress—let by the Senate VA–HUD appropriators, including Senators Bond and Johnson—have wisely rejected that approach. Doubling the program money to $50 million would be a much better idea.

A number of production strategies would be helpful. Increasing funding for the current RHS programs—and for HUD programs serving rural areas—is vital, as the Millennial Housing Commission recommends. But there are also other very worthy ideas for new legislation. They include: Enactment of Senator Edwards' Rural Rental Housing Act; Passage of the National Housing Trust Fund proposal; Enactment of Senator Bond's affordable housing production bill; Enactment of the President's homeownership tax credit proposal; and expansion of self-help housing.

Rural rental housing may face the biggest crisis. Restoration of the Section 515 program is key and HAC has estimated that $100 million would cover the development of at least one new Section 515 project in each State. Portfolio maintenance requires approximately $50 million a year and $25 million is needed for equity loans to owners who wish to prepay. In short, $175 million would cover minimal essential activities, and $350 million would begin to replenish the program to its former strength.

Production of new units will not solve all rural housing problems. Financial aid, such as vouchers and funding for rehab are very important. But for millions of rural residents with limited incomes, those solutions are simply not available. On Cheyenne River, we need production of at least 1,700 new homes. Vouchers won't help that situation, since we do not have very many livable empty units waiting to be rented or bought—as a matter of fact, vacancy rates are essentially zero—we need production. Rural America needs production. Additional units of safe and affordable housing are very much needed, and Federal funding is essential to make new production happen.

I want to thank you for inviting me today. I appreciate it.

Senator REED. Thanks very much for your excellent testimony.

We have a rare opportunity. We have two individuals of great experience. Rhode Island is a little different than the Cheyenne Sioux Reservation.

Mr. PICOTTE. I think there is Indian gaming there.

Senator REED. No, no.

Mr. PICOTTE. Not yet.

[Laughter.]

Senator REED. That is another committee.

[Laughter.]

Mr. GODFREY. That is right.

Senator REED. We are a small, compact city-state, essentially, so we see the issues in perspective in the lens of cities and suburbia.

You, obviously, have a great perspective in rural America. Let me ask a series of questions and use this expertise as well as I can.

Generally, starting with Richard Godfrey, what is the biggest roadblock for working families to attaining affordable housing today in the cities, suburbs, rural areas?

Mr. GODFREY. The biggest roadblock is just the lack of supply. There is just not enough units being produced. The private market cannot meet the demand. As the economy grows, as new workers are added to the economy, we have seen overcrowding in Rhode Island increase 34 percent over the past decade. That means families are just crowding into existing units because there are no new units being produced. There are no starter homes being produced. In fact, we are seeing our starter homes being torn down to build big mansions because there are just so many building restrictions and lack of available land.

So, really, the private-sector production program is broken. We need Government intervention to fix it.

Senator REED. Thank you.

From your perspective, Mr. Picotte?

Mr. PICOTTE. I really must agree with Mr. Godfrey on Cheyenne River and Indian country. I think in rural America, in general, the lack of available units, is the biggest problem. And once those units are available, it is often a question of affordability.

Senator REED. You have all referenced the various production proposals that are encapsulated in legislation by Senator Kerry, Senator Bond, and Senator Edwards. Can you comment generally about these production ideas? Which one do you think would have the most impact, would be the first choice of housing advocates?

Mr. GODFREY. I think that the most flexible program is the key. I think, certainly, we are very pleased that Senator Kerry has put forth a trust fund program because I think it has raised the level of debate on that issue. But it does keep back a 25 percent set-aside for HUD. And I think really the best place for these programs to be distributed and administered is at the State level.

I think we also need flexibility in terms of targeting. Certainly I know that Senator Bond has in his bill some requirements that have mixed-income developments. That is certainly a goal that we all aspire to. But mixed-income developments do not work in every neighborhood. You might have trouble renting up one group of units or another. In some neighborhoods, you might have trouble attracting the lowest-income populations. In other neighborhoods, you may have trouble attracting the higher-income populations. Government intervention to force income mixing does not always work. So, I think that we would support a program that allows the greatest amount of flexibility and allows the States to decide on their own where that money should be targeted.

Mr. PICOTTE. Chairman Reed, I think that each of the proposals that the panel talked about has its own unique ability to produce housing.

Personally, I am particularly intrigued with the Homeownership Tax Credit. I founded Oti Kaga with the hope that increasing homeownership on the reservation would increase personal wealth on the reservation and give people the ability to improve their economic conditions, putting equity into a home as opposed to throwing money away on rent. So, I have very high hopes for that proposal myself.

Senator REED. I am just curious, Mr. Picotte. Financial institutions, are they actively engaged? I know Mayor Menino mentioned Citizens Bank, which is a major bank-holding company in the Northeast and they are active. A lot of our financial institutions are partners in affordable housing efforts. One would hope that they would do more if we did more. But, nevertheless, is that similarly the situation on the reservation?

Mr. PICOTTE. Yes. Currently, I work with Wells Fargo Bank, Citibank. I know that Bank of America has been very active in housing production, and several other financial institutions like that. I am sure that a lot of them have involvement somewhat. But those are the ones that I have worked with.

Senator REED. Great. Now one of the issues that Mayor Menino raised, and something that I find consistently, is the issue of the widespread impact of housing problems. It is not just a shelter issue. It is an education issue, a health care issue, an employment issue, and you go down the whole roster of human concerns. If you have people in good, decent, affordable housing, a lot of those concerns can be addressed. Without good housing, few of them can be reached.

Let me start with Mr. Picotte. Is that the experience that you have seen, that this undermines other important social issues?

Mr. PICOTTE. Oh, very much so. Particularly, Mayor Menino mentioned children's education. He addressed health. I think that those two things are particularly affected by not having affordable, decent, safe housing.

I would reflect his statement.

Senator REED. Richard.

Mr. GODFREY. Senator Reed, you are absolutely right. In fact, the other day I was with Mayor Abodesian in Warwick. And in one of their school districts, they had a 60 percent turnover in their students. That is, of the number of children who started the year, 60 percent of them had moved out of the school district over the course of the year. That was a direct result of housing instability. How can you expect the kids in Warwick to learn when you have that kind of a turn-over? As you know, you do not generally think of Warwick as being a place that has that kind of a crisis. But it is a crisis.

Certainly, the over-crowding which is occurring, and in Rhode Island, over the past 10 years, we have seen housing over-crowding increase 34 percent. We know that is not happening as much in the suburbs, so we have to assume that it is in the cities that housing over-crowding is just about doubling. That overtaxes an already aging housing stock, which exacerbates the problems of lead paint and other housing-related health issues. So, not surprisingly, we are seeing that run through the entire theme.

Senator REED. For the record, Warwick is a suburban community, not a central-city community.

Mr. GODFREY. That is right.

Senator REED. So it is surprising when you see that kind of volatility in their school populations.

We talked about private financial institutions. But Fannie Mae and Freddie Mac are out there. Just in general, and Mr. Godfrey, we will start with you, how can we get those two institutions more actively engaged? They are engaged. I know that, in fact, Fannie Mae has just opened up an office in Providence and is reaching out. But can we do more there to get a partnership going?

Mr. GODFREY. Fannie Mae and Freddie Mac are both private sector, market-driven entities. Even though they are Government-sponsored enterprises, they really respond more to Wall Street than they do to Main Street. And they really have done very little about meeting those with greatest housing needs. They have filled the niche in terms of assuring a secondary market for homeowners. But, generally, none of those homeowners are the ones who are entry-level, first-time homebuyers, or in the lower incomes.

Fannie Mae—they have filled the niche. We have a secondary market in housing in the United States that is the leader in the world. But they really do not serve any affordable housing needs.

Fannie and Freddie do not take any housing risks.

So, obviously, first-time home-buyers, people with marginal incomes, they are not being served by enterprises which are driven by Wall Street.

Senator REED. Mr. Picotte.

Mr. PICOTTE. Chairman Reed, I do not really have very much experience with Freddie Mac, personally. But as far as Fannie Mae goes, they invest in the tax credit properties that I develop through the syndicator, Enterprise Social Investment Corporation, a subsidiary of the Enterprise Foundation. I work with them on several issues. I am currently working with the South Dakota partnership office to develop a mortgage program for Cheyenne River in, I guess, cooperation with our initiative, my organization's initiative, to become a CDFI.

So, we do work with them. I think they are taking more interest in Indian country in general, and I appreciate the effort.

Senator REED. Thank you.

Mr. Godfrey, you mentioned in your testimony the housing credit and bond volume caps. How will these increases affect positively housing? Can you elaborate essentially on the bond caps?

Mr. GODFREY. The 10-year rule prohibits recycling of mortgages. We have worked very hard. Most of the State housing finance agencies have worked very hard to get those mortgage revenue bonds. And as Congress originally intended, as soon as the mortgage is repaid, we refinance that and try to preserve that volume cap wherever we can.

The 10-year rule says you cannot recycle your bond money for more than 10 years. Whereas the program started in 1986, many of us have seen those mortgage funds recycled two or three times and now we cannot. Those bonds have to go away. So that by eliminating the 10-year rule, we could preserve that volume cap and move forward.

Many of the States, mostly the larger States—in Rhode Island, we see other constraints on the mortgage system other than the 10-year rule. But certainly in the larger States, where volume cap is taken for a lot of other purposes, a number of homeowners are being prevented from entering the market because of those rules.

Similarly, S. 677 does address some of the rural housing issues. The tax credit program does not work in some of our rural States because the way that HUD issues their median-income levels does not allow sufficient rental levels to produce new rental housing.

So the bill would allow some relief there in terms of justifying those changes in the rents and allowing the tax credit program to serve more rural housing needs. And it really has been our rural coalition of States that has been pushing for that change.

Senator REED. Mr. Picotte, you mentioned the several programs that you use in your activities on the reservation. One of them I think is the Section 515 program. Could you comment on how effective this is? In general, how effective are these programs? What changes you might suggest based on your experience?

Mr. PICOTTE. Well, we have used Section 515 now for the last 4 or 5 years to produce—currently, we have 51 units under management, another 26 in the development pipeline. But, for now, for Oti Kaga, it has been really the only way that we can find to meet our mission through the use of Section 515 funds.

Originally, our very first tax credit project was a 10-unit project done with single-family detached housing under the lease purchase provisions of Section 42 of the IRC. But after the implementation of NAHADSA, I did not have access to Indian HOME funds any more, and I do not have access to State home funds in the State of South Dakota.

Our challenge was to produce housing with the resources that we had and we found the Section 515 program to be an effective way to provide housing. Just by way of example, we rented up our Falcon Apartments project in February. I had over 200 families apply for those 16 units. So it is very important that my organization produce housing. But 515 is definitely one of the ways that we have been able to utilize resources to do that.

Senator REED. The 502 program, could you comment on that?

Mr. PICOTTE. The 502 has been somewhat helpful, but it is rife with regulations. In Indian country, certainly we take advantage of it when we can. But we find that, more often than not, because of economic conditions on the reservation, people's credit histories do not allow them to participate in that program, with the strictures there. Sometimes it is still a question of affordability, even with the subsidized interest.

Senator REED. Well, I want to thank both of you gentlemen for your excellent testimony, for your responses to questions, and for your commitment and dedication to helping people find affordable, decent housing throughout the country.

Again, I think it was a good opportunity to get perspectives from a metropolitan orientation and from a very rural orientation, and I thank both of you.

It is readily apparent from today's testimony that Congress and the President must make a significant and sustained commitment to creating more affordable housing for hard-working families. Both Mr. Godfrey and Mr. Picotte indicated that the real constraint is that there is no production.

If you have a Section 8 certificate, you cannot find a rental unit. If you have a family that is willing to move up for first-time homeownership, they cannot find the house. Unless we make the commitment, not just rhetorically, but in real resources, we are not going to solve this problem.

I would also suggest that we have come a long way from the rate of production we had a decade or two decades ago. So this is not something novel. Ten years ago, 20 years ago, we were producing lots of housing with these same programs that we are talking about today. We can do it again, and we have to do it again.

As the Chair of this Subcommittee, I look forward to working with you to achieve this critical objective, and to working with my colleagues, Senator Bond, Senator Edwards, Senator Sarbanes, and Mayor Menino and his colleagues.

No one in our country should have to live without a roof over their head. A safe, decent, and stable home should not just be the American Dream—it should be our commitment.

Again we recognize and today's testimony bears out the fact that providing good, safe, decent, dependable housing might go a long way in addressing issues of education and health care, of employability, all the issues that we struggle with here every day.

I thank you for participating today.

The hearing is adjourned.

[Whereupon, at 3:37 p.m., the hearing was adjourned.]

[Prepared statements and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHRISTOPHER S. BOND

A U.S. SENATOR FROM THE STATE OF MISSOURI

SEPTEMBER 25, 2002

Mr. Chairman and Members of the Subcommittee, thank you for inviting me to testify on the affordable housing needs of low-income families, especially extremely low-income families. This is an important issue, and while this Nation has made substantial progress in homeownership rates and in housing programs for low-income families, there is still much to be done especially for extremely low-income families, those at or below 30 percent of medium income.

In part, to help focus the debate on the need for housing production for extremely low-income families, I introduced, with Senator Collins, S. 2967, the Affordable Housing Expansion Act of 2002. I ask that a summary of the provisions of the legislation be included with my written statement as part of the record. Mr. Chairman, I praise your strong efforts in support of affordable housing for low-income families. Both you and Senator Sarbanes have sponsored similar legislation in S. 1248, the National Affordable Housing Trust Fund Act of 2001, as well as S. 2721, the Housing Voucher Improvement Act of 2002.

The Affordable Housing Expansion Act of 2002 is intended to begin to meet the long-term housing needs of very low- and extremely low-income families. In particular, this legislation would establish a new block grant program to be administered by the Department of Housing and Urban Development (HUD). Under this program, HUD would allocate funds through a block grant to State housing finance agencies for the development of mixed-income housing. These Federal block grant funds would be targeted solely to the development of very low-income and extremely low-income housing units within mixed-income housing. The funds would be allocated on a per capita basis with no State receiving less than $6,000,000. Each State housing finance agency would have to submit an affordable housing expansion plan to HUD that ensures the funds are allocated to meet the low-income housing needs in both the rural and urban areas of each State. States also would have to contribute a 25 percent match. Moreover, each State housing finance agency could use up to 20 percent of these block grant funds to preserve existing low-income multifamily housing and for the rehabilitation needs of low-income multifamily housing.

I know that there is some differences of opinion as to what entity should administer a Federal housing production program. I believe there are any number of good ideas on this issue. I chose to use State housing finance agencies, in part, because of effectiveness of the Missouri Housing Development Corporation in administering housing programs in Missouri, including the low-income housing tax credit program. Moreover, I support the use of State housing finance agencies because these entities know the local housing markets within their States and have both the experience and funding sources to ensure the effective use of Federal housing funds.

In addition, the question of funding has been one of the roadblocks that has long hampered the consideration of a new housing production block grant program for extremely low-income families. This is a difficult issue. While a housing production program needs to be a priority for this Nation, the VA–HUD Appropriations Subcommittee has a number of other important and pressing funding needs of great importance and interest, including the need for increased funding for, among other things, VA Medical Care, EPA water and wastewater infrastructure needs, and science research.

Nevertheless, I believe we should look at reserving any "excess" Section 8 funds, up to $1 billion a year, for the production of low-income housing. This is as a credible source of funds for this housing block grant program, especially since every year the Congress and the Administration rescind a billion dollars and more to pay for other program priorities, including programs within HUD, VA, and EPA, among others. And contrary to popular belief, these Section 8 funds can be rescinded so that not a single family will lose any housing or housing assistance.

The Affordable Housing Expansion Act of 2002 also provides new authority for low-income housing production under the Section 8 program and the Public Housing program. Under the Section 8 program, the bill provides new authority for a "Thrifty Voucher" program that would allow the use of Section 8 project-based assistance for new construction, substantial rehabilitation and preservation of affordable housing for extremely low-income families. Because the cost of these vouchers is capped at 75 percent of the payment standard, these vouchers will need to be used in conjunction with other housing assistance programs, such as the HOME program, the Community Development Block Grant program or Low-Income Housing Tax Credit program, to be successful. This new Section 8 authority is substantially the same as legislation included by Chairman Reed and Senator Sarbanes in S. 2721.

The bill also would authorize a new loan guarantee program that will allow public housing agencies to rehabilitate existing public housing or develop off-site public housing in mixed-income developments. The long-term debt of these loans would be tied to the prorata share of funds under the Public Housing Capital and Operating Funds that would be allocated to the units that are rehabilitated or constructed over a maximum of 30 years. This tool will allow Public Housing Agencies to address more aggressively the over $20 billion backlog of public housing capital needs.

The Affordable Housing Expansion Act of 2002 is an important first step toward addressing a growing shortage of affordable housing for very low-income and extremely low-income families. While homeownership rates have grown and the cost of housing has skyrocketed, many very low-income and extremely low-income families are being left behind without the availability of affordable rental housing. This is unfortunate, and the social and economic costs to the Nation are dramatic.

In particular, HUD's most recent report on worst-case housing needs, *A Report on Worst-Case Needs in 1999: New Opportunity Amid Continuing Challenges,* concluded that the shortage of affordable housing has worsened. In particular, the number of affordable housing units available to extremely low-income renters dropped between 1997 and 1999 at an accelerated rate. As we have seen in this economy, as rents continue to rise faster than inflation, the cost of rental housing at the low end of the housing market has increased, resulting in the further erosion in the supply of rental units that are affordable and available without Government subsidies.

In addition, this report found a record high of 5.4 million families (some 600,000 more families with worst-case housing needs than in 1991) that have incomes below 50 percent of median income and pay at least 50 percent of their income in rent. The worst-case housing needs have become increasingly concentrated among those families with extremely low incomes.

Further, since that time, we have lost some 200,000 units of Section 8 project-based units to rent increases, as well as to decisions by owners of the housing not to renew their Section 8 contracts. In addition, many families with vouchers simply cannot find housing in tight rental markets. For example, a recent survey conducted by the Council of Large Public Housing Agencies (CLPHA) in 2000 found that the average turn-back rate for vouchers was 19 percent, which means that almost 1 in every 5 vouchers holders returned their vouchers unused despite time extensions granted to voucher holders for housing searches that can be as long as 6 months. In addition, this survey found that the average time needed by voucher holders to find housing was 85 days. And while voucher utilization is improving, some 892 PHA's in 2000 and 715 PHA's in 2001 had voucher utilization rates of below 90 percent. Finally, as families age and people live longer lives, we are beginning to face a new crisis of a lack of affordable housing for our seniors.

The Affordable Housing Expansion Act is designed to provide additional, needed tools that will allow States and communities to develop new affordable low-income and mixed-income housing. This would help fill a gap in the housing needs of the Nation that would allow these lowest-income families to begin to climb the housing ladder to homeownership. Decisions would be driven by local choice and need and start to meet the burgeoning need for new low-income housing in tight markets where there is little or no housing for families and seniors at the low end of the economic scale. These families need to be served and the cost to build affordable housing is small compared to potential cascading social and economic costs to both communities and families—it is a simple equation—homes equal stable environments in which children are educated and people can obtain jobs. Jobs and homes represent the tax base of any community and educated children are the future of our Nation.

This is important legislation. The private sector is not making the needed investment to meet the low-income housing needs of the present and future, and existing Federal programs are not addressing those families in the most need—extremely low-income families. The Federal Government must show the leadership and make the needed investment to partner with State and localities, as well as public and private entities in the low-income housing infrastructure of the Nation. This bill is designed to start to meet this need and focus the debate on the importance of low-income housing production to the current and future housing needs of this Nation.

One final issue. I know that the Subcommittee has some concerns regarding HUD's new legal position that would support the ability of certain Section 8 project owners to opt-out of Section 8 contracts where an owner has prepaid the mortgage on a multifamily housing project insured prior to 1980. I am waiting for a response from HUD on a number of related questions, but, absent clear evidence from HUD in support of its legal interpretation, I believe that HUD's new position is contrary to both the policy and law. Also, unfortunately, HUD's position is creating a lot of uncertainty in the housing marketplace and the issue may have to be resolved in the courts.

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AFFORDABLE HOUSING EXPANSION ACT OF 2002

(INTRODUCED BY SENATOR CHRISTOPHER S. BOND AND SENATOR SUSAN M. COLLINS)

Title I—Production of New Housing for Extremely Low-Income and Very Low-Income Families—

- Establishes a $1 billion block grant program beginning in 2003 that would allocate funds to State housing finance agencies on a per capita basis according to the population of the State. No State would receive less than $6 million.
- Allows funds to be used for acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing; permits funds to be used for rehabilitation needs and preservation of existing assisted low-income housing (although no more than 20 percent of the funds can be used for rehabilitation and preservation); allows conversion of existing housing to housing for the elderly or for persons with disabilities.
- Requires States to meet a 25 percent matching requirement to ensure accountability and to leverage additional funds.
- Requires housing developed to be low- and mixed-income housing with at least 30 percent of the assisted units targeted to extremely low-income families (families at or below 30 percent of medium income); remaining assisted units would be targeted to very low-income families.
- Rents for assisted units are modeled after the low-income tax credit program only with deeper targeting—extremely low-income families would pay no more than 25 percent of 30 percent of medium-income and very low-income families would pay no more than 25 percent of 50 percent of medium income.
- Authorizes a new multifamily risk-sharing mortgage insurance program to help underwrite housing assisted under this title.

Title II—Section 8 Housing Production—

THRIFTY VOUCHERS

- Establishes a "Thrifty Voucher" Housing Production Program that targets Section 8 project-based assistance for new construction, substantial rehabilitation and preservation with eligible families defined as "extremely low-income families" (those at or below 30 percent of adjusted income).
- Limits assistance to 25 percent of units in a building while limiting the cost for a unit at 75 percent of the payment standard or fair market rent (really is operating costs, utility costs, and reasonable return on operating costs). Initial rent term would be 15 years with renewals through at least year 40. The premise is to use anticipated Section 8 project-based funds to capitalize the cost of new construction, substantial rehabilitation and preservation while subsidizing these costs over some 40 years plus. Thrifty Vouchers could be used in conjunction with low-income housing tax credits, HOME, CDBG, or the (Title I) "Bond" Housing Production Block Grant program.
- New Thrifty Vouchers would be distributed under the formula used for the HOME program.

REALLOCATION OF VOUCHERS

- New Section 8 provision would provide for the reallocation of Section 8 funds where a PHA fails to utilize at least 90 percent of allocated Section 8 tenant-based assistance, and then 95 percent after 16 months from notice on failure to meet the 90 percent utilization requirements. Allows PHA's to challenge for a new survey of market rents in an area for an increased rent payment standard or fair market rent. Provides for a reallocation to another PHA, State or local agency, or non-profit/for-profit capable of administering Section 8 assistance upon a finding that a PHA has failed to meet these performance requirements. Upon a finding that there is a lack of eligible families for Section 8 assistance in an area, HUD may reallocate Section 8 assistance to other needy areas.

PRESERVATION OF SECTION 8 ASSISTANCE ON HUD-HELD AND -OWNED PROPERTIES

- New provision that requires HUD to maintain existing Section 8 project-based assistance for any HUD-owned or HUD-held multifamily projects upon disposition, except where HUD determines the project is not viable. (Mirrors Bond provision carried in annual VA–HUD Appropriations Acts for the disposition of HUD-owned or HUD-held multifamily projects that serve elderly or disabled families.)

Title III—Public Housing Loan Guarantee Program—

- Establishes a new HUD loan guarantee program for public housing agencies for the rehabilitation of a portion of public housing or the development of off-site public housing in mixed-income developments. Long-term debt is tied to the prorata share of funds under the Capital and Operating Funds that would be allocated to the units rehabilitated or constructed over a maximum of 30 years.

PREPARED STATEMENT OF JOHN EDWARDS

A U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

SEPTEMBER 25, 2002

Mr. Chairman, thank you for holding this important series of hearings on housing in America. I am grateful for the opportunity to appear before you today to talk generally about the need for increased rural housing, and to talk more specifically about legislation I have introduced, the Rural Rental Housing Act.

There is nothing more important to a good life in America than good housing. And there is no problem in rural America larger than the shortage of affordable housing. For working families in rural America today, the shortage of affordable housing is becoming a crisis. About 2.6 million rural households live in housing that either has serious structural problems or does not have indoor plumbing, heat, or electricity. In North Carolina, the problem is even bigger. As many as one in 10 people in five of North Carolina's rural counties live in inferior housing.

The rural housing shortage is part of a bigger problem. In America's economy today, rural areas are falling behind. They do not have the access they need to the technology, lending, and investment that will create good jobs. As a result, while Americans in rural areas have always been poorer than Americans in cities, but the gap has grown bigger since 1979. In many rural North Carolina counties, 20 percent or more of the people live below the poverty line.

While rural areas aren't able to address their housing problems alone, Washington has turned its back on the problem. Federal investment in rural rental housing is at its lowest level in more than 25 years. This year, the budget provided zero dollars for building rental homes in rural America—zero. Rural rental housing production financed by the Federal Government has been reduced by 88 percent since 1990. In addition, while 28 percent of the urban poor have access to Federal housing subsidies, only 17 percent of very low-income rural renters get help.

Although the rural population is 22 percent of the Nation's population, only 12 percent of HUD's Section 8 funds reach nonmetropolitan areas. This is due in part to the lack of decent housing in rural areas. HOME and CDBG also neglect smaller communities by mostly funding larger ones. Rural counties also fared worse with Federal Housing Administration (FHA) assistance on a per capita basis as well, getting only $25 per capita versus $264 in metro areas. Our veterans in rural areas are no better off: Only 11 percent of Veterans Affairs housing programs reach nonmetropolitan areas.

In its recent report, the Millennial Housing Commission noted this funding disparity by pointing out that "rural housing needs . . . are often neglected by major Federal housing programs. . . ." The Commission recommended that the Congress provide additional funding for programs in rural areas. It also mentioned that States, too, must "pay special attention to the needs of rural areas." The Commission is right.

We know that there is a real scarcity of rural housing—and this scarcity is even greater when it comes to rural rental housing.

All of us recognize that owning a home is a central part of the American Dream. But the reality is that many people cannot afford it, and these people still need and deserve a decent roof over their heads. One out of every three renters in rural America pays more than 30 percent of his or her income for housing; 20 percent of rural renters pay more than 50 percent of their income for housing.

To address the shortage of rural rental housing, I believe that the Federal Government must come up with new solutions. We cannot simply throw money at the problem and expect the situation to improve. Instead, we have to work in partnership with the State and local governments, private financial institutions, private philanthropic institutions, and the private and nonprofit sectors to make headway. We must leverage our resources to increase the supply and quality of rural rental housing for low-income households and the elderly.

Senator Jeffords, Senator Leahy, Senator Wellstone, and I have proposed a new solution. Our Rural Rental Housing Act would create a flexible source of financing to build or rehabilitate rental housing based on local needs. We demand that Federal dollars be stretched by requiring State matching funds and by requiring the sponsor to find additional sources of funding for the project. We are pleased that more than 70 housing groups from 26 States have already indicated their support for this legislation.

Let me briefly describe what the measure would do. We propose a $250 million fund to be administered by the U.S. Department of Agriculture (USDA). The fund will be allotted to States based on their share of rural substandard units and of the rural population living in poverty, with smaller States guaranteed a minimum of $2 million. We will leverage Federal funding by requiring States or other nonprofit intermediaries to provide a dollar-for-dollar match of project funds. The funds will be used for the acquisition, rehabilitation, and construction of low-income rural rental housing.

The USDA will make rental housing available for low-income populations in rural communities. The population served must earn less than 80 percent area median income. Housing must be in rural areas with populations not exceeding 25,000. Priority will be given to very low-income households, those earning less than 50 percent of area median income, and to very low-income communities or in communities with a severe lack of affordable housing. To ensure that housing continues to serve low-income populations, the legislation specifies that housing financed under the legislation must have a low income use restriction of not less than 30 years.

The Act promotes public-private partnerships to foster flexible, local solutions. The USDA will make assistance available to public bodies, Native American tribes, for-profit corporations, and private nonprofit corporations with a record of accomplishment in housing or community development. Again, the Act stretches Federal assistance by limiting most projects from financing more than 50 percent of a project cost with this funding. The assistance may be made available in the form of capital grants, direct, subsidized loans, guarantees, and other forms of financing for rental housing and related facilities.

Finally, the Act will be administered at the State level by organizations familiar with the unique needs of each State, not by creating a new Federal bureaucracy. The USDA will be encouraged to identify intermediary organizations based in the State to administer the funding. These intermediary organizations can be States or State agencies, private nonprofit community development corporations, nonprofit housing corporations, community development loan funds, or community development credit unions.

Non-profit organizations, public bodies, and the other eligible intermediary organizations are well-versed in combining funding sources to finance housing for low-income families. In fact, it is almost impossible to find a housing project which is funded purely by Section 515 funds any more. Most rural rental housing projects have multiple sources of funding.

An example of a project which would clearly benefit from Rural Rental Housing Act funding is one sponsored by the nonprofit organization Southern Maryland Tri-County Community Action Committee, in Calvert County, Maryland. This high rent area has such strong demand for Low-Income Housing Tax Credit funding that it only has one funding round per year, rather than the usual two. The Community Action Committee received approval from the County to build 104 units of affordable rental housing. The land is available, but the funds are not.

Out of the 104 scheduled units, the Committee has only been able to find funding to build 28 units, through patching together funds from the Section 515 program, the State housing finance agency, tax credits, and the Affordable Housing Program of the Federal Home Loan Bank. Because the incomes served by this project are so low in comparison to the surrounding area, ranging from 21 percent ($17,000) to 33 percent ($30,000) of the area median income, tax credits alone are not an option to build the remaining units.

With additional Federal funds through the Rural Rental Housing Act, to match tax credits or State funds or even conventional bank mortgages, the Committee would be able to finance the remaining 76 units of affordable housing that are desperately needed. You may have seen the recent articles in *The Washington Post* outlining the serious lack of housing in Calvert County, where even those families with valid Section 8 vouchers cannot find housing. Federal funding, matched by local, State, and private funds, is needed to begin to address this problem. In many rural areas, the local government does not have access to a Federal funding stream to finance rental housing. In most States, there is a long line for HOME and CDBG funds. Small, isolated poor communities must compete with central cities, larger towns, and suburbs for Federal block grant funding.

The Rural Rental Housing Act would provide an additional source of funding, devoted exclusively to rural America, for rental housing development, acquisition, and rehabilitation. By providing another tool, target to our small towns and farming communities, the Rural Rental Housing Act provides an additional tool, or resource, to finance rental housing for rural families.

The Rural Rental Housing Act is not meant to replace, but to supplement, the Section 515 Rural Rental Housing program, which has been the primary source of Federal funding for affordable rental housing in rural America from its inception in 1963. Section 515, which is administered by the USDA's Rural Housing Service, makes direct loans to nonprofit and for-profit developers to build rural rental housing for very low-income tenants. Our support for Section 515 has decreased in recent years—there has been a 73 percent reduction since 1994—which has had two effects. It is practically impossible to build new rental housing, and our ability to preserve and maintain the current stock of Section 515 units is hobbled. Fully three-quarters of the Section 515 portfolio is more than 20 years old.

The time has come for us to take a new look at a critical problem facing rural America. How can we best work to promote the development of quality rental housing for low-income people in rural America? My colleagues and I believe that to answer this question, we must comply with certain basic principles. We do not want to create yet another program with a large Federal bureaucracy. We want a program that is flexible, that fosters public-private partnerships, that leverages Federal funding, and that is locally controlled. We believe that the Rural Rental Housing Act of 2001 satisfies these principles and will help move us in the direction of ensuring that everyone in America, including those in rural areas, have access to affordable, quality housing options.

There is no question that the Rural Rental Housing Act is only one part of the solution to the problem of affordable housing facing rural America. There is more we need to do. But I do believe this Act is an important step on the road to making sure Americans who live in rural areas enjoy all the opportunities and promise of life in our great country. Mr. Chairman, I look forward to working with you on this bill and this issue in the future.

Thank you.

PREPARED STATEMENT OF THOMAS M. MENINO

MAYOR, CITY OF BOSTON, MASSACHUSETTS

PRESIDENT, U.S. CONFERENCE OF MAYORS

SEPTEMBER 25, 2002

Mr. Chairman and Members of the Committee, thank you for inviting me to speak about the shortage of workforce housing that too many American families face today. As Mayor of Boston and President of the U.S. Conference of Mayors, this issue is at the top of my agenda because strong cities must meet the diverse needs of their housing markets.

Senator, despite our best efforts at the local level, we cannot do it alone. We need a real group of partners and Washington must be a better partner. We need our national leadership to: Expand the supply of housing for working families, seniors and the needy; make homeownership a more attainable goal, particularly in communities of color; and, preserve the stock of reasonably priced housing we have now—from public housing to assisted units.

Despite, or maybe because of the strength of the housing economy across our country, working families and people of all ages, at different income levels, are struggling to keep a roof over their heads.

So the time has come to give this national issue the real attention it deserves.

This evening, Mayors from across the country will be arriving in Washington for our first "Lobby Day." And one issue that will be at the top of everyone's agenda is the need for more housing.

Too many families are falling through the cracks. According to the National Low Income Housing Coalition study, *Out of Reach,* for the fourth year in a row, there is no jurisdiction in the United States where a minimum wage job provides enough income for a household to afford a two-bedroom apartment.

From State-to-State and city-to-city—the story is the same. The situation in Boston is indicative of the situation in many communities throughout the country. In Boston, the average 2-bedroom apartment costs $1,600 a month. To afford that, you need to earn at least $64,000 per year. If you are working a job that pays the Federal minimum wage, that means you have to work 72 hours per week—and use 100 percent of your earnings to pay the rent.

And for many families, public assistance is no assistance. In Boston, a family of four has to earn under $28,250 to qualify for public housing—and under $33,900 to be eligible for the HOME program and Low-Income Housing Tax Credits program.

But what about people—such as teachers, secretaries, police officers, restaurant workers, and countless others—who earn too much to qualify for public assistance, but not enough to afford an average market rate apartment?

It is no wonder that over the past decade, homelessness has more than doubled. And more than 80 percent of the people in our shelters are working mothers and children. Meanwhile, the average wait for people with emergency housing needs is 21 months. The Boston Housing Authority has over 15,000 families on its waiting list for public housing.

Mr. Chairman, we are doing our part in Boston. We have permitted more than 5,000 new units in the last 2 years and I have dedicated $30 million in city funds for housing creation. But the problem simply goes far beyond any one city's ability to address it.

We need a national housing agenda and we need it now. Delay carries a high price—cities like Boston risk becoming a place where only the very rich and the very poor can afford to live.

I should add that the housing crisis is not just a problem on the two coasts, as many believe. Studies have shown housing costs rising dramatically in States such as Minnesota and Colorado. And I recently received an invitation to speak in North Carolina on this issue, so the problem is clearly expanding beyond what we think of as the high-cost communities.

So the time is right to invest in housing. After all, it is also the perfect medicine for a sluggish economy. Remember, when you add up all the building costs, people buying appliances, and furniture, housing counts for one-fifth of our Gross Domestic Product. In addition, it puts people to work, builds stronger communities, and strengthens families.

How much housing do we need? The National Housing Coalition predicts that by 2010, we will need an additional 11 million housing units.

To make housing available to everyone, we have to reverse some troubling trends:

- Between 1997 and 1999, we lost more than 200,000 affordable units. And in the absence of any new production, we have to preserve all assisted units.
- Homeownership is at 67.9 percent. But for African-Americans and Latino families, it is only 45 percent. We need to close the racial gap.
- The number of 25 to 34 year olds living with their parents has reached record numbers. We need to give young people a chance to jump-start their lives.
- Funding for assisted housing for seniors remains flat, despite the fact that they are the largest growing segment of our population. We need to provide for our senior citizens, not squeeze them out of their homes.

To move forward, we must create a national strategy—that is why in May, I convened the Conference of Mayors National Housing Summit. We met for 2 days with some of the best minds in the housing business and we reached out to new partners including labor, seniors, and leaders in the public health and business communities. We concluded that this new strategy should include:

- Establishing a strong housing production program, such as a National Affordable Housing Trust Fund—based on the 200 funds established in communities across the country, including Boston—to provide a steady revenue stream to assist low-income workers. Last week, Mayor Hahn of Los Angeles hosted the leadership of the mayors at a briefing on his housing $100 million housing trust fund. I applaud the efforts of Senators Kerry, Bond, and Edwards, who along with Representative Sanders and others, have filed strong proposals for housing production. But it is important to cities and to the U.S. Conference of Mayors that any housing trust fund proposal be funded with new money and that it provide cities with direct access to funds. Let's cut out the overhead and the middlemen.
- At the same time, we need to provide incentives to builders. One way to do that is to provide a tax credit for the development of homeownership housing as the President has proposed. Any housing package must be a bipartisan package and the Administration has put forward a good idea for adoption.
- We should work to expand employer-assisted housing programs for working families. In Boston, companies like Citizens Bank, which Chairman Reed knows well, are starting these programs. We should look at new incentives to expand these efforts.

Senator, for the record, I want to submit a copy of our comprehensive National Housing Policy as approved by the mayors at our Annual Meeting this spring. It is our hope that this document will add to the long needed debate on how we provide every American with safe, decent, and affordable housing.

It is time to go beyond the tired housing policies of the past. Back then our policy was to throw up 30 story buildings that were neighborhood eyesores. Well, times have changed, and most of those buildings are being demolished.

Many cities, including Boston, know that the best way to build housing is to create mixed-use developments and design the buildings so that they compliment and strengthen the neighborhood.

In the last few months, Democratic and Republican mayors have worked with the leaders in Washington to pass the education bill and we reached an agreement to secure critical resources for Homeland Security. We can—and we should—use this spirit of bi-partisanship to create more homes and apartments that working families, seniors, low-income workers, and the disabled can afford.

Housing is not a luxury; it is a fundamental right. This issue deserves national attention. Mayors and our coalition partners stand ready to work with you to help more American families attain this right.

Mr. Chairman, thank you for your continued leadership on these issues.

PREPARED STATEMENT OF RICHARD H. GODFREY, JR.

EXECUTIVE DIRECTOR

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION

SECRETARY & MEMBER, BOARD OF DIRECTORS

NATIONAL COUNCIL OF STATE HOUSING AGENCIES

SEPTEMBER 25, 2002

Chairman Reed, Senator Allard, and Members of the Subcommittee, I am Richard Godfrey, Executive Director of the Rhode Island Housing and Mortgage Finance Corporation. Thank you for this opportunity to testify on behalf of the National Council of State Housing Agencies (NCSHA).

NCSHA represents the Housing Finance Agencies (HFA's) of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. I am a Member of NCSHA's Board of Directors and serve as its Secretary.

State HFA's allocate the Low-Income Housing Tax Credit (Housing Credit) and issue tax-exempt private activity bonds (Housing Bonds) to finance apartments for low-income renters and mortgages for lower-income first-time homebuyers in nearly every State. They administer the HOME Investment Partnerships (HOME) program in 40 States to provide both rental and homeownership assistance for low-income families. Many State HFA's administer other Federal housing programs, including Section 8 and homeless assistance.

State HFA's have helped more than 2.2 million lower-income families buy their first home with a Mortgage Revenue Bond (MRB) mortgage. HFA's have financed more than 2 million rental apartments for low- and moderate-income families, including more than 1.4 million apartments for low-income families with the Housing Credit. They have provided another 220,000 low-income families homeownership and rental housing help through HOME.

State HFA efforts to finance homeownership and rental housing received a boost from Congress' recent passage of a near 50 percent increase in the Housing Credit and Bond volume caps. However, these increases were not enough even to restore the purchasing power these programs had lost to inflation since Congress imposed the caps in 1986. Demand for Housing Credits and Bonds still outstrips their supply in virtually every State.

The availability of scarce Bond financing is severely threatened by the MRB Ten-Year Rule. The rule requires HFA's to use MRB mortgage payments to retire the MRB, rather than make new mortgages to lower-income families, once the MRB has been outstanding for more than 10 years. This arbitrary and obsolete rule puts increased pressure on the already inadequate Bond cap by forcing States to use new Bond authority to finance MRB mortgages, rather than recycling old authority into new mortgages. In 3 more years, the rule will have wiped out the equivalent of the Bond cap increase you and so many in Congress worked so hard and long to enact.

The Housing Bond and Credit Modernization and Fairness Act, S. 677, repeals the MRB Ten-Year Rule and makes other important changes in the MRB and Credit programs to assure that their usefulness in all parts of the country, particularly in very low-income, predominantly rural, areas. Seventy-six Senators have cosponsored S. 677.

I encourage you, Mr. Chairman, and Senator Sarbanes, to join them in cosponsoring this important bill. I ask all Members of the Subcommittee to communicate to the Senate Leadership and Finance Committee Chairman Baucus (D–MT) and Ranking Member Grassley (R–IA) the urgent need to include S. 677 in a viable tax bill this year.

Thank you, Mr. Chairman, for your strong and consistent leadership on affordable housing matters. NCSHA commends you for holding this hearing to shine light on our Nation's affordable housing shortage and possible solutions.

Over the last several years, Members of Congress, the Millennial Housing Commission (MHC), housing industry groups, and other housing advocates have recognized the critical need for increased production of affordable housing, particularly for our Nation's very low- and extremely low-income renters. Many have presented proposals for increased Federal investment to meet this need. Now is the time to identify and combine the best elements of these proposals in an effective response to our Nation's affordable rental housing shortage.

A Pressing Need for Affordable Housing Persists Throughout the Nation

There is an ever-growing consensus, supported by academic research, newspaper reports, and the personal experience of millions of low-income families, that our Nation confronts an affordable housing crisis. According to the 1999 Annual Housing Survey, one in seven American families has a severe housing problem, meaning they spend more than half their income on housing or live in substandard housing. That is 15.5 million families, both homeowners and renters.

This crisis extends from the very poor to the solidly working class. Yet indisputably, those families hardest hit are those with the least income. Of the 15.5 million families with severe housing problems, 80 percent are very low income, earning 50 percent of their area's median income (AMI) or less. Nearly 60 percent have extremely low incomes, earning 30 percent of AMI or less.

In its much anticipated, recently released report on Federal housing policy, the Millennial Housing Commission concluded:

> The most serious housing problem in America is the mismatch between the number of extremely low-income renter households and the number of units available to them with acceptable quality and affordable rents. This is a problem in absolute terms, with 6.4 million extremely low-income households living in housing that is not affordable. And it is a problem in terms of severity, in that extremely low-income households make up only 25 percent of renters, but 76 percent of renter households with severe housing affordability problems.

The Commission found that even if all rental apartments affordable to extremely low-income households were appropriately located, the right size, of good quality, and available, the Nation would still have a shortage of 1.8 million apartments affordable to them. Many apartments affordable to extremely low-income families do not meet these conditions, making the real supply gap much larger.

According to the National Low Income Housing Coalition's just-released report on housing affordability, *Out of Reach 2002,* the average hourly wage of workers in extremely low-income households is $8.37 an hour. Yet, the "housing wage," the average hourly wage necessary to afford a two-bedroom home at the nationally weighted fair market rent (FMR), is $14.66.

This means that a worker earning the Federal minimum wage, $5.15 an hour, would need to work an average of 114 hours per week in order to earn enough money to rent a two-bedroom apartment at the FMR. Last year, more than 2 million workers in the United States earned the Federal minimum wage or less.

There is no State or county in the country where a minimum wage worker can afford a two-bedroom apartment at the FMR. Seventy-five percent of the States have a housing wage of more than twice the prevailing minimum wage. Ninety percent of all renter households live in these States.

Extremely low-income families undoubtedly have the most acute housing needs. Since frequently homeownership is not an option for them, more Federal resources must be concentrated on producing rental housing affordable to these vulnerable families.

Though very low- and extremely low-income families have the most acute needs, the need for quality affordable housing extends to low- and even middle-income families. According to the Commission's report, housing affordable to families earning between 60 and 100 percent of AMI plummeted between 1985 and 1999, dropping by 2.3 million units, or 20 percent.

The steady losses of affordable apartments exacerbate the affordable housing shortage. According to HUD's 2001 report on worst-case housing needs, there were almost a million fewer apartments with rents affordable to extremely low-income families in 1999 than there had been in 1991. Between 1997 and 1999 alone, the number of apartments affordable to extremely low-income families declined by 750,000, or 13 percent. More than 100,000 assisted units have been converted to market rate housing due to owners opting out of Federal housing assistance programs. The threat of further losses looms as contracts on hundreds of thousands of units expire each year.

Substantial New Federal Resources Are Needed

Substantially more Federal resources must be devoted to producing and to preserving affordable rental housing, especially for those with the least income. Rents these families can afford to pay simply are not sufficient to support the production and operation of rental housing without substantial subsidies. Existing Federal resources are not sufficient. Demand for subsidized housing far outstrips supply. Only one-third of families eligible for rental housing help receive it.

Meanwhile, today's HUD budget is a third of what it would have been had it kept pace with inflation since 1976. The HUD budget has remained flat in nominal terms over the last 27 years. It has barely grown from $29.2 billion in 1976 to $30 billion in 2002, losing nearly two-thirds of its purchasing power. During the same period, total Federal discretionary budget authority has grown from $194 billion to $635 billion, a three-fold increase.

Increased funding for existing HUD programs is essential. However, funneling more resources into these programs alone will not solve the affordable rental housing shortage. Existing HUD programs were not designed to produce new rental housing on any significant scale. In fact, one of the only HUD programs actually producing new affordable rental housing today is the HOME program. Despite its achievements, HOME is not the best vehicle for delivering new Federal rental production resources.

HOME funding is allocated among more than 600 State and local government recipients. Many of them do not receive funding allocations sufficient to make meaningful investments in rental housing production.

HOME funding also is used to help finance the entire range of affordable housing activities, including downpayment assistance, mortgage assistance, home improvement and rehabilitation, tenant-based assistance, lead-based paint abatement, reconstruction, rental rehabilitation, rental production, and acquisition. This further reduces HOME funding availability for rental housing production.

Even the Housing Credit—the single greatest producer of affordable rental housing today—was not designed to serve extremely low-income families without additional subsidies. In 2001, 45 States allocated some portion of their Credits to apartments for families earning 50 percent of AMI or less. In 18 of these States, more than half of the apartments allocated Credits in 2001 were dedicated to families earning 50 percent of AMI or less. Nearly half of all of the States allocated some portion of their Credits to apartments targeted to families earning 30 percent of AMI or less.

While States consistently serve families earning considerably less than the 60 percent of AMI Federal income limit, State HFA's in Rhode Island and across the country are finding it increasingly difficult. There are not sufficient subsidies to combine with the Credit to meet the large and growing need among very low- and extremely low-income families. It is especially difficult to reach such families in areas with very low AMI's.

Utilize the Proven State Housing Delivery System

We believe the affordable rental housing shortage can be solved without designing a complicated new program or delivery system. The delivery system already exists in State HFA's. All that is needed is a Federal commitment of new flexible funds allocated through State HFA's to leverage Bonds, Housing Credits, and other resources to reach underserved families, particularly those with very and extremely low incomes.

Any new funding Congress is able to appropriate for this purpose almost certainly will be insufficient to meet the need. Therefore, it is essential that whatever limited funds that Congress makes available be delivered through an established and integrated system that facilitates their coordination with other resources and targets them to where they are most urgently needed. This system is already in place at the State level.

NCSHA recommends that any new rental production funds be administered by the States for at least four compelling reasons:

First, only statewide government is in a position to judge and to allocate the assistance to the most pressing needs, wherever they exist in each State, in amounts sufficient to make a difference. Housing needs in cities, suburbs, and rural areas do not often exist in isolation from one another.

Moreover, housing needs, job and commercial development, transportation burdens, health care availability, human services demands, and other neighborhood development requirements flood across city and county political boundaries, sometimes across broad areas of a State. These interrelated needs cannot be addressed as fairly, effectively, or efficiently by a proliferation of individual subdivisions acting alone. States can work with local governments to recognize and address these needs.

States are uniquely positioned. They are close to real local issues and housing needs, but have enough perspective to bring a State and regional focus to problems that cannot be solved within individual municipal boundaries. States are in an unparalleled position to ensure that funding is applied where it is most needed and integrated with other public investments in our physical, economic, and human infrastructure.

States have the ability to bring together State agencies and resources in ways the Federal Government and local communities cannot. For example, State HFA's have partnered with welfare agencies to use Temporary Assistance to Needy Families (TANF) funds to provide housing assistance to families attempting to make the transition from welfare to work. They have teamed up with State health and human services agencies to obtain Medicaid waivers to cover the cost of services in HFA-financed assisted living. They work with State departments of mental health and retardation to provide quality housing linked to supportive services for people with mental illness and retardation.

State HFA's also successfully partner with local governments, nonprofits, the private sector, resident and community groups, and service providers to address the diverse housing challenges they confront. Through comprehensive and coordinated State, regional, and local planning, State HFA's can assure that housing is developed where it is most needed and in sustainable communities with access to jobs, transportation, schools, health care, and other services.

Second, the funds potentially available for any new production program under any reasonably anticipated budget scenario will be too scarce to be divisible among more than the 50 States, if relative needs in all parts of each State are to be considered and prioritized adequately, and the funds marshaled to meet them. Dividing into more than 50 parts whatever additional housing funding Congress provides would dilute those funds in many places to amounts too little to be effective or meaningful.

The programs such as HOME and CDBG that divide limited resources between hundreds of local communities simply are not conducive to large scale, expensive production activities. This fractionalization makes these programs very popular among a broad base of local governments, but distributes funds without regard to consideration of or prioritization among statewide or even regional needs and in shares frequently too small to address whatever needs exist even in the county or city receiving them. State level administration is the only possible way to bring always-too-scarce Federal assistance to bear in the most comprehensive, coordinated, cost-effective fashion on the most pressing multifamily production problems, wherever they exist in each State.

Third, only the State government has the capacity in every State to administer sophisticated multifamily financing. State housing agencies possess statewide focus, sophisticated finance, underwriting, and asset management capacity, and a multidecade record of responsibility, effectiveness, accountability, and success in administering tens of billions of dollars of housing assistance. They are investment grade rated.

States are the only point in the entire Federal system where all Federal and State housing resources—Housing Bonds, Housing Credits, HOME, Federal Home Loan Bank advances, FHA insurance, and State—provided funds—can be accessed in one place and brought to bear on housing needs.

Fourth, Federal oversight capability can be more effectively concentrated on 50 entities than on programs spread among hundreds of States and municipalities, a point which HUD itself recently recognized in limiting to the States the delegation of contract administration on its 850,000 unit Section 8 project-based portfolio. We expect that HUD will supervise the proper use of funds it allocates, but eschew prescriptive regulations or micromanagement of State administrators.

Any new production vehicle should leverage and expand the reach of the current housing programs and be integrated with existing State housing plans and funding systems. It is essential that any income, rent, or other rules be flexible enough to ensure compatibility with the Housing Credit and other Federal housing programs, for the combination of this new funding with them will almost always be necessary to reach extremely low-income families.

We propose that new rental production funds be allocated by State HFA's, subject to a State allocation plan, modeled on and coordinated with the Housing Credit qualified allocation plan. The plan, developed with extensive public input, including from local governments and nonprofits, would identify the State's priority rental housing needs and strategies for using the funds to address them.

States should be empowered to use funds for a wide range of activities, including project-based assistance, new construction, rehabilitation, and preservation. Funds should not be encumbered with program set-asides.

Finally, it is essential that States have the flexibility they need to tailor innovative solutions to their unique and varied housing problems. HUD regulation must be limited to that which is necessary to assure nondiscrimination and accountability for the use of funds to achieve the goals Congress has set. Irrational and unnecessarily burdensome rules, regulations, and reporting requirements frustrate State HFA's and their partners, smother creativity, and delay results.

The Solution is at Hand; The Time to Act is Now

Members of Congress in both Houses and from both sides of the aisle have long recognized the need for increased production of affordable rental housing. The Congressionally-mandated Millennial Housing Commission report confirms this need.

Several Members of Congress, the Commission, and a number of industry groups, including NCSHA, have put forward proposals for addressing this need. Many of these proposals, particularly Senator Kerry's National Housing Trust Fund Act of 2001 (S. 1248) and Senator Bond's Affordable Housing Expansion Act of 2002 (S. 2967), contain many of the essential elements outlined in this testimony, including State administration, deep income targeting, and flexible program rules.

We are confident that legislation incorporating these elements would attract broad bipartisan support. We urge you to move forward and pledge our full support.

PREPARED STATEMENT OF WILLIAM (BILL) PICOTTE

PRESIDENT, HOUSING ASSISTANCE COUNCIL

EXECUTIVE DIRECTOR, OTI KAGA, INC., CHEYENNE RIVER SIOUX RESERVATION

SEPTEMBER 25, 2002

Thank you for the opportunity to submit testimony to the Subcommittee on affordable housing production, and thank you, Chairman Reed, for holding this important hearing. My name is Bill Picotte, and I am Executive Director of Oti Kaga, Inc., a nonprofit housing development organization located on and serving the Cheyenne River Reservation in north central South Dakota. I also am President of the Board of Directors of the Housing Assistance Council (HAC), a national nonprofit group working to create more affordable housing throughout rural America.[1] My testimony focuses on housing production in rural and nonmetropolitan areas.

First let me say something about our own situation in South Dakota. That will set a context for my comments on the national scene. The family poverty rate for the Cheyenne River Sioux Indian Reservation is 40.9 percent, compared to 11.6 percent statewide and 10.0 percent nationally. Median-family income for the reservation is $15,797, compared to $27,602 statewide and $35,225 nationally. Per capita median income for the reservation is $6,405, compared to $10,661 statewide, and $14,420 nationally. Yes, those are median incomes, something that may be difficult to grasp in a major metro area where the median household income is $50,000 or higher. The homeownership rate for Cheyenne River is 51.6 percent, compared to 66.1 percent statewide, and 67 percent nationally. The Cheyenne River Housing Authority's Indian Housing Plan currently documents a need for 1,747 housing units, including 1,104 new rental units, 309 new homeownership units, supportive services, student, transitional, homeless, elderly, and essential personnel housing.

These statistics demonstrate the extreme poverty and housing need faced by our residents. To help alleviate some of these conditions, Oti Kaga has undertaken development of both single-family and multifamily housing; loan-packaging services for Rural Development programs; a loan program; and housing counseling services. Essentially, we are engaged in affordable housing production, the focus of today's hearing.

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[1] HAC has just published an issue of its magazine, *Rural Voices,* that is devoted to rural housing production. The issue and other information on rural housing are available on HAC's web site, *www.ruralhome.org.*

Founded in 1995, Oti Kaga, Inc. views housing development as a fundamental approach to improving economic conditions on the Cheyenne River Reservation, in Indian country generally, and in all of rural America. We have used numerous production programs including Low-Income Housing Tax Credits; the USDA Rural Housing Service's Section 502, 504, and 515 programs; the HUD Section 184 and HOME programs; the Affordable Housing Program of the Federal Home Loan Bank; and aid from the Enterprise Foundation, Fannie Mae, and other sources. To help with production, we have also established two loan funds. One provides small loans to our Sections 502 and 504 applicants for credit check fees, appraisal fees, and other costs associated with applying for these programs. Then our Homeownership Assistance Program (HAP) Loan Fund provides loans to Section 502 and 184 loan applicants for downpayment and closing cost assistance. Oti Kaga also provides loan-packaging services for the Section 502 and 504 programs through our "Increasing Access to Rural Development Programs" project, which is funded by the USDA and the Housing Assistance Council. And we offer credit counseling and homebuyer education.

Housing Conditions and Need in Rural America[2]

Production of new units is not the only way of meeting housing need, but it is also an essential tool, especially in rural areas. The level of need is shown in data from the 2001 American Housing Survey, as compiled and analyzed by the Housing Assistance Council. For most of the 20th Century, substandard quality was the primary housing problem in rural areas. But today sharply higher and increasing housing costs have made affordability rather than poor conditions the major problem in rural housing, especially for low-income people. While housing costs are lower in nonmetro areas than in cities, incomes are also lower. As a result, many rural households find it difficult to meet basic housing expenses. Among the 23 million nonmetro households, approximately 5.5 million, or 24 percent, pay more than 30 percent of their monthly incomes for housing costs and are considered cost burdened. Of these nonmetro cost-burdened households, more than 2.4 million pay more than half their incomes toward housing costs.

Most cost-burdened households have low incomes, and a disproportionate number are renters. In fact, renters are 35 percent of nonmetro cost-burdened households while they comprise less than one-quarter of all nonmetro households. Research by the National Low Income Housing Coalition, supported in part by the Housing Assistance Council, shows that nowhere in the United States can a household afford a two-bedroom apartment at the fair market rent with income at the Federal minimum wage. Even in very rural places, minimum wage incomes place fair market rents out of reach.

There have been many gains in rural housing quality, largely because of Federal programs. But substandard housing still exists in the United States, especially in rural areas and central cities. The frequency of housing inadequacy among nonmetro units is slightly higher than for all housing units. Approximately 1.6 million, or 6.9 percent, of nonmetro units are considered either moderately or severely inadequate. Fully 12 percent of low-income households in nonmetro areas live in physically inadequate housing, and poor housing conditions are disproportionally more common among renters and minority households than among owners and whites.

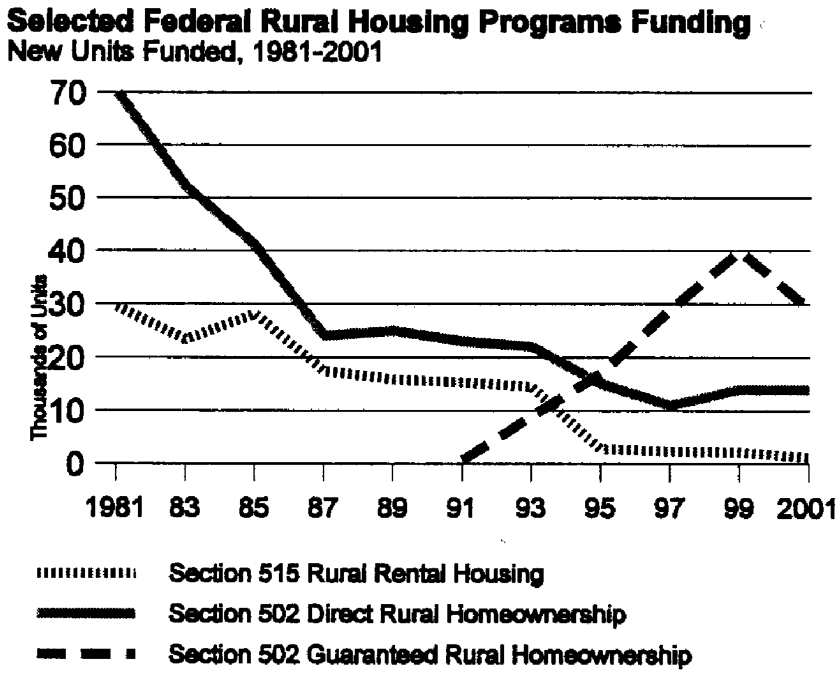
Current Programs

Federal housing assistance has played an important role in the production of low- and moderate-income rural housing since the mid-1930's. Yet, according to a methodology developed by the Housing Assistance Council, only 7 percent of nonmetro households receive some type of Federal or other publicly-supported housing assistance.[3] One little known but successful production approach is that of the USDA Rural Housing Service (formerly the Farmers Home Administration). After having successfully produced over 3 million units since 1950, the USDA rural housing programs have been sharply reduced in recent years. (See the following chart.) The role

[2] Portions of this and the following sections are drawn from Lance George, "Why Rural America Needs Affordable Rural Housing," *Rural Voices,* Summer 2002.

[3] The number of rental households receiving assistance is estimated from those households who report their income as part of their rental lease, pay a lower rent because the Government is paying part of the cost of the unit, or live in a building owned by a public housing authority. These estimates include Federal, State, and local Government assistance. Data on Government subsidized owners in the AHS are limited. The number of homeowners who receive public mortgage assistance is estimated from those households who indicate they obtained a mortgage through a State or local government program that provides lower-cost mortgages or have a primary mortgage from the USDA Rural Housing Service. This methodology is assumed to provide an underestimate of the number of subsidized owners.

and impact of these programs in production has been dramatically transformed. A primary example is USDA's Section 515 rural rental housing program, which serves the poorest households.



In fiscal year 1994, Section 515 funded 11,542 units of affordable rural rental housing, but in fiscal year 2001 the program funded only 1,621 units—an 86 percent reduction. The larger Section 502 single-family loan program has also seen deep cuts. These programs need to be maintained and restored.

Making the rental shortfall worse is the fact that much of the current subsidized rental housing stock is at risk of loss. Many owners of rental developments with subsidized mortgages from USDA or HUD are seeking to opt-out of the subsidy programs by prepaying their mortgages and converting their apartments to market rate rentals. Likewise, landlords can opt-out of HUD's Section 8 rental assistance program in search of higher rents and fewer Government regulations.

Several Federal housing programs have also been affected by a shift in emphasis to indirect subsidies such as loan guarantees and tax incentives. One significant result of these policies has been a reduction in the number of lower-income households served. The USDA Section 502 homeownership loan program has recently shifted its emphasis from direct loans to loan guarantees. In fiscal year 2000 just 3 percent of Section 502 guaranteed loans served very low-income households as opposed to 44 percent of the program's direct loans.

HUD programs are also very important to affordable housing production in rural America. The CDBG and HOME programs are vital. And let me cite one much smaller HUD initiative that was created by the U.S. Senate. This is the HUD Rural Housing and Economic Development Program, which this year has a $25 million appropriation. Oti Kaga has competed for and won three RHED grants, which help local nonprofits with both bricks-and-mortar gap funding and capacity building dollars. The funds are highly competitive and go directly to community groups. The Bush Administration has twice proposed eliminating this program, but the Congress—led by the Senate VA–HUD appropriators including Senators Bond and Johnson—has wisely rejected that approach. Doubling the program money to $50 million would be a much better idea.

Strategies and Legislative Ideas

A number of production strategies and proposals are appropriate. Increasing funding for the current RHS programs—and for HUD programs serving rural areas—is vital (as the Millennial Housing Commission recommends [4]). But there are also other very worthy ideas for new legislation. They include:

- Enactment of Senator Edwards' Rural Rental Housing Act (S. 652).
- Passage of the National Housing Trust Fund proposal (H.R. 2349).
- Enactment of Senator Bond's affordable housing production bill (S. 2967), which would create a $1 billion housing block grant program.
- Enactment of the President's homeownership tax credit proposal (H.R. 5052).
- Expansion of self-help housing.
- Increased (or restored) staffing for the Rural Housing Service to allow more effective use of the programs.
- Passage of the Kelly Sanders amendment to provide Federal matching funds to State and local housing trust funds.

Rural rental housing may face the biggest crisis. To help meet the crisis restoration of the USDA Section 515 program is key. The Housing Assistance Council has estimated that $100 million is required to cover the development of at least one new Section 515 project in each State. Necessary portfolio maintenance requires approximately $50 million per year. A minimum of $25 million is needed for equity loans to owners who wish to prepay. In short, $175 million would cover minimal essential activities under Section 515. We believe that the program should be funded at $550 million, and suggest that the Congress begin by appropriating $350 million for fiscal year 2003.

Conclusions

Production of new units will not solve all rural housing problems. For rural Americans who can find decent existing homes, financial aid to make costs affordable may be the best solution; for others, affordable existing homes can be made decent with more rehabilitation funding. But for millions of rural residents with limited incomes, those solutions are simply not available. On Cheyenne River we need production of at least 1,700 new homes. Vouchers will not help, since we do not have many liveable empty units waiting to be rented or bought. We need production. Rural America needs production. Additional units of decent, affordable housing are very much needed, and Federal funding is essential to make new production happen.

Thank you very much.

APPENDIX

Oti Kaga Projects developed to date include the following:

TIPI TOKAHEYA

A four-unit renovation project developed with Rural Development Section 502 funds.

ELK VIEW HOMES

A ten-unit single-family, detached, lease/purchase project developed with LIHTC, Indian HOME and Affordable Housing Program funds. Construction was completed in late 1998.

SOUTH MAIN APARTMENTS

A twenty-unit multifamily housing project developed with LIHTC, Rural Development Section 515 (including 100 percent rental assistance), and Affordable Housing Program funds. Construction was completed in November 1999.

FALCON APARTMENTS

A sixteen-unit multifamily housing project developed with LIHTC, Rural Development Section 515 (including 100 percent rental assistance), and Affordable Housing Program funds. Construction was completed in February 2002.

BLACKHAWK APARTMENTS

A fifteen-unit multifamily housing project developed with LIHTC, Rural Development Section 515 (including 100 percent rental assistance). Construction is scheduled for completion in December 2002.

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[4] See Millennial Housing Commission, *Meeting Our Nation's Housing Challenges,* May 30, 2002, p. 71.

THE U.S. CONFERENCE OF MAYORS

RECOMMENDATIONS FROM THE MAYORS NATIONAL HOUSING FORUM

MAY 20–22, 2002

Introduction

On May 20, 2002, the U.S. Conference of Mayors (USCM) sponsored a National Forum to develop and advocate for a comprehensive housing policy for the Nation. Led by USCM President Mayor Thomas M. Menino of Boston and USCM Community Development and Housing Committee Chair Mayor Willie Brown of San Francisco, a group of mayors and public and private sector housing leaders, called for housing to be made a national priority.

The Forum participants reaffirmed the importance of housing to the vitality and stability of our Nation's cities. They referenced well-documented findings showing the increasing difficulty people are having finding safe, decent, and affordable housing. They agreed that while housing has not received the national attention and resources it deserves, it is intricately linked to national priorities, such as education, public safety, and health care.

As Mayor Menino stated, "From the need for young families to find their first home, to the special housing and service needs of senior citizens and households with disabilities, to the shelter challenges of the poor and homeless, the issue of housing affects the lives of everyone in our society. Therefore, we must work together to preserve the housing we have and produce the housing we need."

Housing helps promote neighborhood stability, improved educational opportunity, employment stability, and helps owners save for their futures. Housing serves as an economic generator and springboard which fosters solutions for many other national and local priorities.

Housing, however, has not kept pace with the needs of the residents in most urban markets. Despite an all-time high homeownership rate in America of over 68 percent, the rate in cities is only 50 percent and even lower for minority and low- and moderate-income households. More than 14 million families spend more than half their income on housing. Clearly, in many markets, housing costs are growing faster than incomes.

The U.S. Conference of Mayors calls for a comprehensive national housing policy that addresses the variety of housing challenges in our urban communities, including homeownership, rental housing, public housing, special needs housing, and homelessness issues.

Some of the challenges include:

Rental Housing

- In 2000, rents increased faster than overall inflation for the 4th consecutive year and vacancy rates dropped in more than half of the 75 largest metropolitan areas.
- More than 6 million families spend more than half of their incomes for rent.
- Almost 2 million low- and moderate-income working families pay more than half of their income on rent or live in severely inadequate housing.

Homeownership

- More families build wealth by owning a home than stocks or other investments, as yet homeownership remains out of reach to more than half of all minority families and low-to-moderate income residents.
- Moderate and middle-income families increasingly struggle to afford a median-priced home in more than three-quarters of our Nations' 60 largest housing markets.
- The lack of supply of affordable homes often limits housing choices and drives the cost of housing beyond the reach of many families.

Public Housing

- More than 1.3 million families call public housing home. More than one-third of these are seniors over the age of 62. The rest are disabled and single mothers with children. Another 3.3 million live in private, subsidized apartment or receive vouchers to rent apartments.
- With the stock of public housing and subsidized apartments falling far short of the need, the waiting lists for public housing have grown to about one million households. In some large cities, families must wait 10 years or more for an available unit.
- While the need grows dramatically, the gap between supply and demand widens. No significant new public housing has been built in the past 25 years.

Special Needs

- 1.4 million elderly and 2 million people with disabilities pay more than 50 percent of their incomes for housing or live in substandard housing.
- Section 811 funding for the disabled has declined by nearly $100 million in the past decade, from $387 million to $271 million.
- In 2001, both hunger and homelessness rose sharply in major American cities. Requests for emergency food assistance climbed an average of 23 percent and request for emergency shelter assistance increased an average of 13 percent in 27 cities surveyed by the U.S. Conference of Mayors.

Preservation

- More than one million Federally-subsidized housing units are at risk due to a expiration of Federal subsides and use restrictions; aging deterioration, need for debt restructuring; and local real estate market conditions.
- Millions of private, unsubsidized properties that provide affordable rents also are at risk. Almost one million of unsubsidized affordable housing have been lost over the past decade due to disrepair, to abandonment, or to the gentrification of neighborhoods.
- Between 1997 and 1999, more than 200,000 unsubsidized rental units affordable to extremely low-income families were lost from the stock.

Rental Housing

Rental housing for all income groups is essential to create neighborhoods of choice and stimulate the economic growth of our Nation's cities. Therefore, Congress should provide an array of tools and resources to leverage the private sector to produce and to preserve an adequate supply of rental housing to meet each city's priorities.

As part of this comprehensive strategy, Federal programs should place a very high priority on achieving both mixed-income developments and mixed-income neighborhoods.

Congress should create a new rental housing production program to serve the needs of working families with incomes up to 100 percent AMI. Adjustments for high-cost areas should be allowed.

The Conference supports the creation of a National Housing Trust primarily, but not exclusively, designed to meet the needs of the very low income, for example, 30 percent AMI or below, through the production and preservation of rental housing.

Cities must receive a direct allocation of funds under both the workforce production program and the National Housing Trust Fund.

Current Federal programs supporting rental housing production, for example, CDBG, HOME, LIHTC must be fully funded and redesigned to work together easily to meet a more diverse array of local housing challenges.

Federal programs, including nonhousing programs, should provide significant incentives for regional fair share housing agreements and production consistent with smart growth principles.

States should allocate existing housing resources in accordance with city priorities, for example, qualified allocation plans for LIHTC should reflect city priorities.

States should create a set aside of all Federal and State housing, social services and transportation funds to provide cities with additional funds to implement targeted comprehensive neighborhood revitalization strategies.

Cities should reduce the regulatory costs of housing production and rehabilitation by streamlining building codes, inspection and the permit process, as well as by adopting "smart codes."

Congress should eliminate the volume cap for mortgage revenue bonds which fund the production and preservation of affordable housing.

Create a National Housing Opportunities Corporation to give technical assistance and support to suburban communities to develop affordable housing.

Expand the Low Income Housing Tax Credit Program to create mixed-income developments.

Encourage Fannie Mae and Freddie Mac to create national employer-assisted housing programs to support homeownership by working families.

Homeownership

Homeownership is the primary vehicle to improve individual economic well being and create wealth for households and neighborhoods.

Public and private sector should promote regional planning and implementation that develops and retains a diverse housing stock.

Public and private sector should continue to fund homeownership education and outreach, credit counseling programs, bi-lingual credit counseling, and financial literacy programs.

Congress should expand the Community Reinvestment Act (CRA) to cover entities currently not included by the Act such as marketing companies, expand CRA regulations to local operations when the financial institution is not locally owned and expand rating to include comprehensive community development activities.

Congress should expand CDBG and HOME funding.

Congress should relax CDBG and HOME regulations that limit the use of the funds for new construction to give local government's more flexibility.

Congress should pass the Community Homeownership Tax Credit.

Public and private sector should develop a secondary market for lenders to nontraditional borrowers who have had appropriate counseling and a seasoned performing loan.

Congress should continue to support homeownership through existing policies such as the mortgage interest deduction, mortgage revenue bonds, and passage of predatory lending regulations.

Local governments should develop policies and programs which result in homeownership land use opportunities such as land banking, military sites reuse, brownfield reuse, and in-fill housing.

Congress must fund comprehensive strategies such as the homeownership zone, Empowerment Zones, and Enterprise Zones.

FHA should extend the amortization period to 40 years.

FHA should provide mortgages for accessing homeownership and home repairs to borrowers with lower credit scores and nontraditional credit histories.

Public and private sectors should aggressively target education of the elderly population of their opportunities to access financing for home repairs.

Public and private sectors should develop programs to support construction management of repair projects for elderly residents.

Enact predatory lending legislation.

Create incentives for local PHA to utilize homeownership Section 8 programs.

Over the next decade reduce disparity of homeownership rates between white and nonwhites by 50 percent.

Public Housing

Public Housing continues to play a significant role in the ability of cities to maintain a diverse population and respond to the needs of a wide range of citizens. The program should be preserved, expanded, and redefined.

Congress should enact legislation which funds the development of 150,000 units of public housing annually for the next 10 years in a form which encourages income diversity and fosters healthy urban neighborhoods. All public housing developments should be wired to facilitate access to today's technology.

Mayors should facilitate cooperative activities between public housing authorities and public school systems in their communities. Congress should authorize and fund specific programs aimed at enhancing both educational activities and housing environments of public housing children.

Congress should adopt legislation that ensures public housing operating and capital subsidies are allocated in a manner that is predictable, objective, and consistent with actual need. Funds should continue to be made available directly to PHA's.

Conventional public housing and Section 8 should be considered complimentary and not competitive programs. Each should be adequately funded and cities should be permitted to use funding for the two programs interchangeably as local needs dictate from time to time, including the capacity to increase the use of project-based Section 8 beyond current levels.

HOPE VI should be reauthorized for an additional 10 years and funded at levels recommended by the Commission on Severely Distressed Public Housing—$1 billion per year.

Congress should enact legislation which provides maximum housing choice for senior citizens and persons with disabilities including opportunities to remain at home with necessary assistance.

Congress should enact legislation which establishes a valid and an appropriate method of assessing pubic housing authority performance and should mandate maximum flexibility for PHA's who perform well under the system.

Special Needs Housing Recommendations

More than 3.5 million households have special needs for housing with supportive services. Special needs housing includes the elderly, the disabled, the homeless, HIV/AIDS victims, battered women, the mentally ill, and many others. The long-term solution for much of the special needs housing problem is to expand the supply of affordable, permanent housing. In the short term, however, transition housing with special services is needed to stabilize these households and to allow them to progress to more permanent solutions.

A Special Needs Coordinator should be appointed in every city to coordinate and optimize existing funding streams for special needs populations, including Medicaid, CDBG, tax exempt financing and other sources.

Mayors should charge the department leaders to develop collaborative programs between sectors: Housing and education, housing and health services, housing and children's services, and so forth.

Section 202 funding should be expanded to $760 million annually for new construction and rental assistance.

Two hundred fifty million dollars should be appropriated for modernization of up to 32,000 units of elderly housing, with a priority for accessibility and the delivery of supportive services.

Fifty million dollars should be appropriated to preserve elderly housing, permitting nonprofit organizations to purchase elderly housing projects with expiring Section 8 contracts.

Senior citizen housing should include Service Coordinators. Seventy-five million dollars should be appropriated to provide Service Coordinators in 21,000 units of elderly housing and provide for the ability to fund Service Coordinators through PRAC contracts.

Section 811 funding for the disabled should be increased to prior levels at $400 million.

McKinney Act homeless assistance grants should be increased to $1.8 billion.

Encourage mayors in each city to dedicate 10 percent or more of all housing units in projects supported with locally administered Federal funds—CDBG, HOME, etc.—for homeless and special needs populations, under a competitive application process.

The Section 811 program for disabled housing should be streamlined to permit smaller scale projects and more flexible use of funds for purposes like capital grants, services, tenant support, and so forth. The model for this type of flexibility is in the McKinney Act homeless programs.

Homeless housing renewals should be mainstreamed through the HUD Housing Certificate Fund. Permanent housing created through the McKinney Act homeless programs—Shelter Plus Care, the Supportive Housing Programs, the SRO Program—should be renewed through the mainstream HUD Housing Certificate Fund, rather than through renewals of the McKinney Act programs.

Preservation

Mayors support exit-tax relief to existing owners to encourage the transfer and long-term preservation of affordable rental housing to preservation entities.

Mayors oppose the S. 236 ($300 million) recession and encourages HUD to make these funds available per Title V of the fiscal year 1998 Appropriation Act to rehabilitate HUD-assisted properties.

Mayors encourage States to award bonus points in their QAP or tax credits award process or to create set-asides for long-term preservation of HUD-assisted Low Income Housing Tax Credit properties.

Small unassisted properties (less than 30 units) are below the radar screen, but are being lost at alarming rates.

- HUD should conduct a needs assessment to determine the scope of the problem and create a sketch of the owners.
- HUD should develop programmatic responses from the data.
- In conjunction with the needs assessment, engage the GSE's (Fannie Mae and Freddie Mac) in developing financing products and outreach to the ownership community.
- Mayors advocate increased funding for CDBG and HOME for subsidized loans and grants to create long-term affordability for these small rental properties.

HUD should appoint a dedicated leader who has the overall responsibility for preserving the affordable rental housing inventory and reporting to cities and other municipalities on at least an annual basis on the status of the inventory in all communities in the United States.

TESTIMONY OF SAUL N. RAMIREZ, JR.

EXECUTIVE DIRECTOR
NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

SEPTEMBER 25, 2002

Good afternoon, my name is Saul Ramirez. I am the Executive Director of the National Association of Housing and Redevelopment Officials (NAHRO). NAHRO is the Nation's oldest and largest organization that represents the interests of housing and community development agencies seeking adequate and affordable housing and strong communities. NAHRO's membership administers more than 3 million housing units for 7.6 million people.

I would like to thank Chairman Paul Sarbanes, Ranking Minority Member Phil Gramm, and the other distinguished Members of the Senate Committee on Banking, Housing, and Urban Affairs for allowing me to offer written comments on proposals to increase the production of affordable rental housing in communities across the country.

There is a critical lack of affordable rental housing in this country. The Millennial Housing Commission wrote in its 2002 report, *Meeting Our Nation's Housing Challenges,* that while the "addition of 150,000 units annually would make substantial progress toward meeting the housing needs of ELI households . . . it would take annual production of more than 250,000 units for more than 20 years to close the gap." These numbers do not even account for those households who are lower-income but earn more than 30 percent of the area median income. In fact, in speaking to the rental housing needs of lower-income households in general in their 2002 *State of the Nation's Housing* report, the Joint Center for Housing Studies of Harvard University states that most recent construction and substantial rehabilitation projects have done little to expand the supply of affordable housing. In addition, preservation of existing units is in jeopardy, and "the ongoing losses of affordable rental housing will place even greater cost pressures on lower-income and working-class households."

In response to this need there have been a number of proposals offered, including those offered by Senator Bond and Senator Edwards. NAHRO believes strongly that additional resources must be allocated to this area, and appreciates the interest of the Subcommittee in hearing from a variety of stakeholders as to the most generative approach. NAHRO has worked with many of these agencies on this issue, and believes that all proposals offered have been well intentioned and passionately represented. It is also true that NAHRO has concerns with each of the proposals, in that NAHRO must be able to show its members that any program proposed is one that they would be able to implement effectively. To holistically address these factors, I would like to talk about the key principles that NAHRO believes must be included in any production proposal under consideration.

Production Requires Funding at the Local Level

The issue of how the funding is distributed is one on which proposals vary widely. Senator Bond's bill would send the funding only to State housing finance agencies, which would then be responsible for allocating it through a competitive process. The rural rental housing bill authored by Senator Edwards would provide the funding through intermediaries, which may be States or other entities with the appropriate capacity, but does not specifically include local jurisdictions. Negotiating contracts for the production of housing units is complicated and time-consuming, and should not have the additional layer of regulations and mandates that States would impose. *NAHRO believes that funding must go directly to the local communities working to address these issues.* One of the successes of the HOME Investment Partnership Program is its ability to get funding on the ground where it is needed, and NAHRO sees this program as a model in this regard for how any new production program should operate. NAHRO also recognizes the assistive role of the State in channeling funding to smaller communities, and therefore proposes a formula allocation, with 60 percent of the funding at the local level and the remaining 40 percent going to states to serve smaller communities. It is worth noting that while the original National Housing Trust Fund legislation (S. 1248) called for funding States and intermediaries, the most recent version on the House side included the same 60/40 split as recommended by NAHRO.

Production Must Result in a Net Increase in Units

It is clear that worst-case housing needs continue to escalate for households at the lowest end of the income scale. Further, the most recent *Out of Reach* report released by the National Low Income Housing Coalition shows that rental housing in America is largely unaffordable even for those approaching the median income of a given community. This environment means that, given the resources currently available for the creation of affordable units, having both capital and operating subsidies involved is virtually unavoidable. NAHRO recognizes that in certain markets this is in fact a requirement for feasible development. However, *it is important that any new production program that provides a capital subsidy be able to stand on its own to a large extent, resulting in a net increase in units rather than a shifting of resources.*

NAHRO has worked diligently with its members to assess what type of targeting would allow for both project feasibility requirements to be met and affordable housing to be provided to those most in need. *NAHRO believes strongly that any new production program should address this need through the development of opportunities that are targeted fully at those earning 50 percent of the area median income (AMI) or less, with the ability to go up to 80 percent with proper waiver authority.* While bills such as Senator Bond's and Senator Kerry's call for deeper targeting, with 30 percent and 75 percent of funds respectively set aside for households at 30 percent of AMI or lower, NAHRO has deep concerns about the efficacy of this approach, and believes that less restriction will result in more affordable units ultimately being provided.

Rental Contributions Must Work for Everyone

NAHRO recognizes and appreciates the current trend in mixed-income housing development. In creating opportunities for mixed-income and mixed-use development, NAHRO believes it is critical to ensure the affordability of all units for the households they are targeted to. The Millennial Housing Commission in its own production proposal for extremely low-income households recognized that a contribution greater than 30 percent of a household's income might be both necessary and feasible. NAHRO supports this flexibility, and simultaneously urges caution. Proposals such as Senator Bond's would ensure affordability for the targeted households, with the maximum proposed rent estimated at 40 percent of area median income. *In the development of a capital production program, NAHRO encourages Congress to craft a program not fully reliant on operating subsidies, affordable for both the tenant and the owner.*

Production Requires Consistency

We are all aware of the challenges in funding any capital project with a series of funding streams, which must be accessed competitively, each with different timelines, and all wanting to know that the other funds are secured. It is crucial that any new production program not add to this tension, but rather provide some consistency of funding and effort that communities can then build upon. The bills authored by Senators Bond and Edwards differ on this point, with Mr. Bond recommending an up-front planning process at the State level, and Mr. Edwards outlining a competitive application process.

NAHRO appreciates the elements of competitive processes that have shown themselves successful in other arenas, such as the Continuum of Care, but has also seen how this process jeopardizes capital projects unnecessarily. Even now, NAHRO is advocating along with the Millennial Housing Commission for changes to the HOME and Low-Income Housing Tax Credit (LIHTC) program which would allow them to work together more seamlessly. *NAHRO recommends that any new production program be a block grant, a consistent source of funding around which communities and States would develop a planning process to govern distribution.*

Funding for Production Must Be Significant

NAHRO appreciates the competing interests which face Congress in allocating what are becoming scarce resources for nondefense related spending. However, NAHRO believes strongly that the funding for any new production program must come from new Federal appropriations, rather than a realignment of current resources. This is especially so when the current resource is actually not available, such as recaptures from the Section 8 program. NAHRO applauds Senator Bond for including a section on the reallocation of unused Section 8 budget authority in S. 2967, and we believe it indicates the Senate appropriators and authorizers are serious about keeping unused Section 8 funds within the Section 8 program rather than forfeiting them to a rescission or other housing programs. However, HUD estimates that by fiscal year 2003 the balance in that account is expected to be $0. NAHRO encourages Congress to ensure a net increase in affordable housing units by requiring that this funding does not diminish existing housing and community development funding levels. *In order to significantly impact the need for rental units across the country, NAHRO urges Congress to authorize and appropriate $1 billion in new Federal funding for housing production.* This figure is one which has been agreed on by a number of stakeholders, and is included in Senator Bond's proposal for fiscal year 2003. Senator Edwards' bill, which speaks only to the needs of rural America, proposes $250 million annually be appropriated.

Production Must Be Viewed with a Large Lens

It is not only the production of new units that is vital to meeting the needs of rental households across the country. In fact, as Senator Bond's report illustrates, the creation of new units without the preservation of existing affordable housing stock is folly. We will never be able to fill the gap with the sand pouring out the other side. For this reason *NAHRO believes that any new production program must provide local communities with maximum flexibility, and allow for not only acquisition and new construction but rehabilitation and preservation efforts as well.* While the bill authored by Senator Bond recognizes this, in setting a maximum of 20 percent of funding for rehabilitation and preservation it unnecessarily limits the ability to projects to maximize on the local landscape and meet local needs. The exclusion of preservation from the bill authored by Senator Edwards is hopefully an oversight, as one of the biggest challenges facing rural communities is the preservation of existing Section 515 projects under the Rural Development Agency.

Affordability Must Be a Long-Term Commitment

The current crisis in the preservation of affordable housing units should speak for itself. With thousands of units leaving the inventory of affordable housing stock monthly, it is crucial that any new production program expands and protects the affordability of new units. While Senators Edwards and Bond propose terms of 30 and 40 years, respectively, NAHRO believes Congress should go further. Along with the Millennial Housing Commission, *NAHRO endorses a fifty (50) year affordability period for new units.*

Again, we appreciate the opportunity to provide written comments to the Committee, and we look forward to an active partnership in the development of a new affordable rental housing production program.

TESTIMONY OF ROBERT A. RAPOZA

EXECUTIVE SECRETARY, NATIONAL RURAL HOUSING COALITION

SEPTEMBER 25, 2002

Mr. Chairman and Members of the Senate Subcommittee on Housing and Transportation, my name is Robert Rapoza. I am Executive Secretary of the National Rural Housing Coalition. The National Rural Housing Coalition (NRHC) has been a national voice for rural low-income housing and community development programs since 1969. The Coalition is comprised of approximately 300 members nationwide. Through direct advocacy and policy research, the Coalition has worked with Congress and the Department of Agriculture to design new programs and improve existing programs serving the rural poor. The Coalition also promotes a nonprofit delivery system for these programs, encouraging support for rural community assistance programs, farm labor housing grants, self-help housing grants, and rural capacity building funding. We have testified before the Committee before and appreciate this opportunity to submit this statement for the record.

Thank you for holding this series of hearings on affordable housing production. The National Rural Housing Coalition is a strong supporter of USDA's housing programs for low-income families, as well as the legislation introduced by Senator John Edwards, S. 652 the Rural Rental Housing Act of 2001.

The Need for Affordable Housing in Rural America

The need for affordable housing is especially strong in rural areas. In fact, a disproportionate amount of the Nation's substandard housing is in rural areas. Rural households are poorer than urban households; pay more of their income for housing that their urban counterparts.

Renters in rural areas are the worst-housed individuals and families in the country. Thirty-five percent of rural renters are cost-burdened, paying more than 30 percent of their income for housing costs. Almost one million rural renter households suffer from multiple housing problems, 60 percent of whom pay more than 70 percent of their income for housing.

There are also a number of obstacles to improving homeownership in rural areas including high rates of poverty and poor quality of housing. According to a 1999 Economic Research Service report, the poverty rate in rural America was 15.9 percent, compared to 13.2 percent in urban areas. In addition, the income gap between urban and rural households has grown since 1979. In fact, the median income in rural

America is about the same today as it was in 1979, although incomes have increased in urban and suburban areas overall.

Minorities in rural areas have much higher rates of poverty with an average of 34.1 percent compared to urban minorities at 28.1 percent. More than 1.6 million low-income rural households live in moderately to severely inadequate housing. These are units without hot or cold piped water, and/or have leaking roofs, walls, rodent problems, inadequate heating systems, and peeling paint, often lead-based.

Rural households are less likely to receive Government assisted mortgages. For example, although the rural population is 22 percent of the Nation's population:

- Only 6 percent of FHA assistance goes to nonmetro areas. On a per-capita basis, rural counties fare worse with FHA, getting only $25 per capita versus $264 per capita in metro areas.
- Only 11 percent of Veterans Affairs housing programs reach nonmetro areas and per capita spending in rural counties is only one-third that of metro areas.

In addition:

- Only 12 percent of Section 8 funds go to nonmetro areas.
- There is no set-aside for rural areas under the HOME program, which means that most of HOME funding ends up in participating jurisdictions, in metropolitan areas.
- Although the CDBG has the State and Small Cities Block Grant program, there is a significant problem for rural areas from a targeting standpoint in that States may award grants to communities with populations up to 50,000. This means that small rural communities must compete with larger jurisdictions for funding.

Rural residents also have limited access to mortgage credit and the secondary mortgage market. The consolidation of the banking industry that accelerated throughout the 1990's has had a significant impact on rural communities. Mergers among lending institutions have replaced local community lenders with large centralized institutions located in urban areas. Aside from shifting the locus of loan-making, this has resulted in the diminishment of a competitive environment which, in the past, encouraged rural lenders to offer terms and conditions that were attractive to borrowers. Because of the gap left by traditional lenders, rural households are often prime targets for predatory lenders.

Federal Rural Housing Programs

The Rural Housing Service (RHS), formerly Farmers Home Administration, of the U.S. Department of Agriculture, administers a range of direct loans, grants and related assistance to low-income rural families. The RHS is the only Federal agency devoted to improving housing conditions in rural America. RHS programs have been reduced in years and as a result there is tremendous demand for assistance. Any revitalization of Federal housing production should include the existing housing programs of RHS.

Section 502 Single-Family Direct Loan Program

Every year, RHS makes about $1 billion in loans to low- and very low-income families to acquire, rehabilitate, or construct their own homes. To qualify for the direct loan program, borrowers must have very low or low incomes but be able to afford mortgage payments. The average income of households assisted under Section 502 is $18,500. About 9 percent of households have annual incomes of less than $10,000. Since its inception, Section 502 has provided loans to almost two million families.

The Section 502 direct loan program is the most cost-effective housing program in the Federal Government. The cost to the Government per house under the Section 502 direct loan program is only $10,000.

However, this effective program has also received severe cuts in recent years. Funding was available for 132,000 units in 1976, but because of funding, production has dropped by 89 percent to fewer than 15,600 units. Currently funded at $1.1 billion, the President's budget cuts this program by 13 percent to $957 million in program level.

In many rural communities, the only housing option available to low-income families is Section 502. Therefore, it is not a surprise that there is a backlog of $5 billion and 80,000 loan requests in RHS offices across the country.

As one way to widen the effectiveness of Section 502, USDA has expanded its cooperation with nonprofit housing organizations. Under the Mutual and Self-Help Housing Program, for example, with the assistance of local housing organizations, groups of families eligible for Section 502 loans perform approximately 65 percent of the construction labor on each other's homes under qualified supervision. This program, which has received growing support because of its proven model, has existed since 1961. The housing organizations involved receive funding for technical assistance through the Section 523 program. The average number of homes built each year over the past 3 years has been approximately 1,500.

Section 514 Loan and Section 516 Grant Farm Labor Housing Programs

Migrant and seasonal farmworkers are some of the Nation's most poorly housed populations. The last documented national study indicated a shortage of some 800,000 units of affordable housing for farmworkers.

Farmworker households are also some of the least assisted households in the Nation. Some 52 percent of farmworker households' incomes are below the poverty threshold, four times the national household poverty rate, and 75 percent of migrant farmworkers have incomes below the poverty line. Yet little more than 20 percent of farmworker households receive public assistance; most commonly food stamps, rarely public or subsidized housing.

There are only two Federal housing programs that specifically target farmworkers and their housing needs: Sections 514 and 516 of the Housing Act of 1949 (as amended). Borrowers and grantees under Rural Housing Service Sections 514 and 516 receive financing to develop housing for farmworkers. Section 514 authorizes the Rural Housing Service to make loans with terms of up to 33 years and interest rates as low as 1 percent. Section 516 authorizes RHS to provide grant funding when the applicant will provide at least 10 percent of the total development cost from its own resources or through a Section 514 loan.

Nonprofit housing organizations and public bodies use the loan and grant funds, along with RHS rural rental assistance, to provide units affordable to eligible farmworkers. These funds are used to plan and develop housing and related facilities for migrant and seasonal farmworkers. Most local programs are for seasonal workers—those in home-based States that work in the fields for most of the year. Lack of decent housing overall the limited availability of long-term subsidies for operating costs limits the utility of the program for migrant farmworkers.

Current funding for Sections 514 and 516 totals $37 million in program authority. This amount provides about 700 units of housing. The estimated need is two to three times the appropriated level.

In recent years, Congress and the Administration have worked to gradually increase funding for farmworker housing. However, to really begin to address this problem, Congress should provide additional funding for farmworker housing programs and address the overall need for rental housing assistance in rural America.

Section 515 Rural Rental Housing Program

Today's hearing is a step in the right direction for assisting rental housing in rural America. Unfortunately, the Federal Government's current investment in rural rental housing is at its lowest level in more than 25 years. In fact, this year is the first time that the Administration's budget included no funding for rural rental housing production. Over the last 15 years, the Congress and Administrations of both parties have engaged in unwise budget cutting of rural rental housing. Spending has declined from over $500 million a year to $114 million in fiscal year 2002. As a result, there is little production of new rental housing in rural areas.

Renters, like homeowners, in rural areas live in difficult situations. Thirty-five percent of rural renters are cost-burdened, paying more than 30 percent of their income for housing costs. Almost one million rural renter households suffer from multiple housing problems, 60 percent of whom pay more than 70 percent of their income for housing.

Moreover, poor rural renters do not fair as well as poor urban renters in accessing existing programs. As noted, HUD has done little to pick up the slack as only 17 percent of very low-income rural renters receive housing subsidies, compared with 28 percent of urban poor. Overall, only 12 percent of HUD's Section 8 assistance gets to rural areas.

Historically, the Agriculture Department's rural rental housing program has been the key tool for improving the quality and quantity of rental housing in rural areas. The Section 515 is an invaluable tool for rural rental housing production, repair, and preservation for very low- and low-income families. Under Section 515 nonprofit and for profit entities can receive 1 percent loans for acquisition, rehabilitation, or construction of rental housing and related facilities. For much of the history of Section 515 loan term was for 50 years. Recently, in a cost cutting move, the term of the loan was reduced to 30 years. Most Section 515 loans have gone to for-profit entities that combine the subsidized loan, rental assistance, and tax subsidies to finance the housing.

The portfolio contains 450,000 rented apartments in Section 515 developments. The delinquency rate is a low 1.6 percent. The average tenant income is little more than $8,000 which is equal to only 30 percent of the Nation's rural median household income. Sixty percent of the tenants are elderly or disabled and one-quarter are minority.

Section 521 rental assistance is used in conjunction with Section 515 to help families who cannot afford even their reduced rent. In recent years, mostly in response to an escalating number of expiring contracts, appropriations for rental assistance have gone up. Despite the fact that the current appropriations stand at $701 million (fiscal year 2002), the funds are insufficient. Although about 50 percent of the 450,000 Section 515 households receive rental assistance, almost 90,000 Section 515 households who need assistance do not receive it. The need for rental assistance is projected to increase to $937 million by 2006.

As Congress considers future policy for housing it faces two challenges regarding rural rental housing. The first is to maintain the existing stock of Section 515 units. The second is to increase the production of affordable rental housing units in rural communities.

Preservation of Section 515 Housing

The current portfolio of Section 515 units represent an important resource to low-income families in rural America. At a time of declining Federal resources for rental housing, it is hard to envision a time in which Federal policy will finance the development of a large number of rental housing developments. So, it is important to preserve the existing stock.

In 1987, Congress enacted legislation to regulate rural rental housing principally financed under Section 515. This legislation placed a low income use restriction on Section 515 and also established financial incentives to owners to maintain their properties for low-income housing. In general, at the end of the initial 20 year use restriction, an owner could seek an incentive to extend long-term low-income use, or sell the project to a nonprofit organization or public body that would operate the housing for low-income use.

A principal source of financing for incentives was the Section 515 and the use of these funds for equity loans authorized under Section 515. However, as Congress and Administration reduced funding for Section 515, USDA reduced preservation funding to only about $5 million per year.

Roughly two-thirds of the Section 515 portfolio is regulated under the 1987 Act. The lack of adequate funding for incentives has raised a great concern among the owners. For the most part, the law limits their options to seeking incentives or selling to a nonprofit organization or public body.

The demand for incentives is estimated at approximately $100 million for equity loans alone. But cuts in Section 515 have limited the ability of USDA to implement a good preservation program.

In response to the growing concern about the lack of preservation resources, S. 2801, the Agriculture Appropriations bill for fiscal year 2003, recommends an increase in Section 515 from $114 million to $120 million. The recommendation includes $50 million for new construction, $50 million for repair, and $20 million for preservation. The bill also includes increased funding for debt forgiveness related to preservation and increases the reimbursement to nonprofit organizations for activities related to acquiring properties for preservation purposes. However, this is only a small, first step.

Unfortunately there continue to be attempts to weaken the Section 515 program. The most recent attempt is an amendment proposed by Representatives Bob Ney (R–NE) and Mike Ross (D–AR) as part of H.R. 3995, the Housing Affordability for America Act. This bill has currently passed the Financial Services Committee and is awaiting floor action. The amendment would immediately end the low income use restriction on certain Section 515 housing developments, *displacing up to 300,000 low-income households nationwide.*

Vouchers proposed under this amendment are not a viable option for rural areas, where other decent and affordable housing is simply not available. The cost of vouchers is estimated at $1.5 billion. Although the amendment as it was originally offered in Committee did not require appropriations to be available before owners could prepay, or that owners must take the vouchers held by their Section 515 tenants, the language was changed to include both of these requirements. While this provision is an improve over the original Ney–Ross Amendment, it does little to preserve a stock of affordable housing in rural America. A better approach, which the Senate Agriculture Appropriations bill takes, is a substantial increase in Section 515 with an allocation for incentives for equity loans, as well as enhanced tools for nonprofit organizations and public bodies to acquire projects.

As I mentioned earlier, the existing Section 515 program contains a strong infrastructure to address the needs of the tenants and property owners. What lacks is funding for the program. I urge you to reject this amendment as part of any Senate legislation or upcoming conference agreement. We also urge the Committee to work to increase the preservation resources available under Section 515.

Rural Rental Housing Act (S. 652)

The National Rural Housing Coalition supports of the Rural Rental Housing Act (S. 652) sponsored by Senator John Edwards and co-sponsored by Senators Jim Jeffords, Paul Wellstone, and Patrick Leahy. This legislation proposes a $250 million Federal matching grant program for low-income households and the elderly. The funds may be used on a flexible basis to provide various forms of assistance. It is a new important tool for increasing production of rural rental housing.

The Rural Rental Housing Act is an initiative of the National Rural Housing Coalition. Rural housing practitioners met in 1997 and 1999 to address the growing lack of resources for financing housing in rural areas and to come up with a plan of how to improve the situation.

The practitioners concluded that a new rural multifamily housing delivery system is evolving. Providers continue to build successful projects using financing tools and housing programs that are currently available, including Section 515; they have found, however, that managing the various components required to make a project viable is difficult, time-consuming, and staff-intensive. Providers stressed that governmental subsidies are necessary if lower-income households are to be housed.

As part of their commitment to housing, these providers formed the idea of the Rural Rental Housing Act. This program would build on the strength of nonprofits and other organizations at the community level and match it with a new commitment on the Federal level. This Federal funding would encourage the continuation of the State and local partnerships already forming, and add a critical Federal financing piece to make housing feasible for lower-income Americans.

USDA would administer the program, as well as have the authority to delegate administration to intermediaries. Funds will be allotted on a State-by-State basis, to provide a dollar-for-dollar match of project funds. The grants will be for the acquisition, rehabilitation, and construction of low-income rental housing. USDA will make assistance available to public bodies and Native American tribes, as well as private nonprofit and for-profit corporations with a record of accomplishment in housing or community development. Federal assistance, available in the form of capital grants, direct subsidized loans, guarantees, and other forms of financing, would be typically available to finance up to 50 percent of project cost. The legislation specifies that housing financed under the legislation must have a low income use restriction of not less than 20 years.

Qualified intermediary organizations include: States or State agencies; private nonprofit community development corporations; nonprofit housing corporations; community development loan funds; and community development credit unions. Funds that are allotted to intermediaries may be used to provide technical assistance and financing to housing organizations, for the acquisition, rehabilitation, and construction of housing. The intermediaries are responsible for matching the USDA funds on a dollar-for-dollar basis.

The population served must be households with incomes of 0 percent to 100 percent of the area median income. Priority for assistance will be given to extremely low-income (0 percent—30 percent of area median income) and minority households. Housing must be in rural areas with populations not exceeding 25,000, outside of urbanized areas. Priority for assistance will be in low-income communities or in communities with a severe lack of affordable housing.

The added value of this proposal is the flexible financing it brings and the partnerships it creates. A variety of financing tools may be used to match the Federal funds, including loans, grants, interest subsidies, annuities, and other forms of assistance. The proposal would encourage partnerships among Federal agencies, State and local governments, private financial institutions, private philanthropic institutions, and the private sector, including nonprofit organizations.

Nonprofit organizations, public bodies, and the other eligible intermediary organizations are well-versed in combining funding sources to finance housing for low-income families. In fact, it is almost impossible to find a housing project that is funded purely by Section 515 funds anymore.

An example of a project that would clearly benefit from Rural Rental Housing Act funding is one sponsored by the nonprofit organization Southern Maryland Tri-County Community Action Committee, in Calvert County, Maryland. This high-rent area has such strong demand for Low-Income Housing Tax Credit funding, that it only has one funding round per year, rather than two, during which all of the funds are immediately spoken for. The Community Action Committee received approval from the County to build 104 units of affordable rental housing. The land is available, but the funds are not.

Out of the 104 scheduled units, the Committee has only been able to find funding to build 28 units, through patching together funds from the Section 515 program, the State housing finance agency, tax credits, and the Affordable Housing Program of the Federal Home Loan Bank. Because the incomes served by this project are so low in comparison to the surrounding area, ranging from 21 percent ($17,000) to 33 percent ($30,000) of the area median income, tax credits alone are not an option to build the remaining units.

With additional Federal funds through the Rural Rental Housing Act, to match tax credits or State funds or even conventional bank mortgages, the Committee would be able to finance the remaining 76 units of affordable housing that are desperately needed. You may have seen the recent articles in *The Washington Post* outlining the serious lack of housing in Calvert County, wherein even those families with valid Section 8 vouchers cannot find housing. Federal funding, matched by local, State, and private funds, is needed to begin to address this problem. In many rural areas, the local government does not have access to a Federal funding stream to finance rental housing. In most States, there is a long line for HOME and CDBG funds. Small, isolated poor communities must compete with central cities, larger towns and suburbs for Federal block grant funding.

Mr. Chairman and Members of the Committee, once again we thank you for holding this hearing and we look to you for continued support of the efforts of affordable rural housing development.

NHC
National Housing Conference
The United Voice for Housing

September 25, 2002

The Honorable Jack Reed
United States Senate
Washington, DC 20510

Dear Chairman Reed:

We are pleased that you are holding this hearing today on affordable housing production and working families. Additionally, we commend Mayor Menino of Boston for his testimony and ongoing commitment to this important issue. We also are glad that William Picotte and Barbara Thompson from our member organizations, the Housing Assistance Council, and the National Council of State Housing Agencies, have been asked to speak regarding our nation's affordable housing needs. As you know, although the majority of news reports highlight record homeownership rates, increasing housing starts, and the overall strength of the private housing industry, the fact remains that *one out of every seven American families has a critical housing need.*

Our research at the National Housing Conference (NHC) over the period of the last three years has focused on the affordable housing needs of working families. According to new preliminary 2001 federal data from the Center for Housing Policy, the research subsidiary of NHC, nearly 15 million households have critical housing needs. Alarmingly, the number of low- to moderate-income working households with critical housing needs jumped by almost 25%, from 3.9 million to 4.8 million, between 1999 and 2001. To highlight this growing problem, please see the enclosed chart which dramatically illustrates the severity of this issue.

It is important to remember that working families with critical housing needs do not fit the stereotypes that often surround discussions of housing policy. Over half are homeowners, and the population of individuals with critical housing needs also has grown to include vital community positions such as teachers, police officers and firefighters.

On a national level, it is our assertion that our nation does not lack workable programs or housing expertise. Instead, we need additional resources to either directly fund or leverage the dollars necessary to produce more affordable housing, or preserve the existing supply. Current federal dollars dedicated to related programs do not meet present needs.

At the state and local level, we have found that we must encourage and reward efforts to produce and preserve affordable housing. The challenge is to develop the appropriate incentives to ensure that communities recognize and support such programs. We recommend an emphasis on proven tools to create affordable housing including inclusionary zoning, local levies, trust funds, employer support and other techniques for raising revenue.

In addition, it is important to point out that since I testified before your Subcommittee in May of this year, the Millennial Housing Commission has released its final report entitled, "Meeting Our Nation's Housing Challenges." The Commission determined that although the vast majority of Americans are exceptionally well housed, there are still millions of families that have serious housing problems. Ultimately, they found affordability to be the greatest housing challenge facing the nation.

We want to thank you for your dedication to helping ensure affordable housing, and look forward to continuing to work together on this critical issue. As you emphasized this spring at an earlier hearing on this important matter, "no one should have to live without a roof over their head in this country. A safe, decent and stable home should not just be the American dream, it should be the American commitment." The members of the NHC could not agree with you more.

Sincerely,

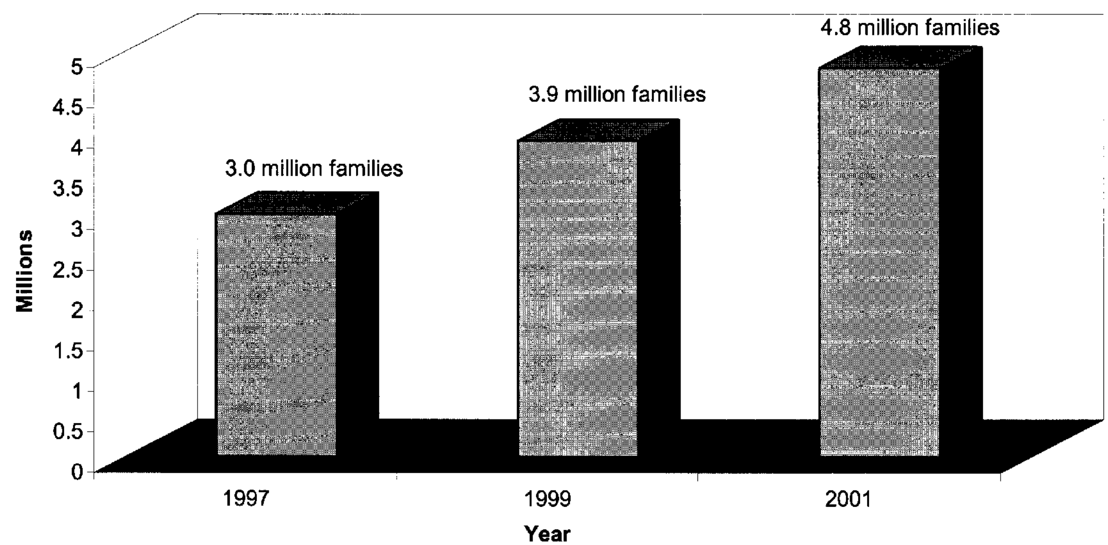
Robert J. Reid

Robert J. Reid
Executive Director
National Housing Conference

Enclosure

A FULL-TIME JOB DOES NOT GUARANTEE A DECENT, AFFORDABLE PLACE TO LIVE

Low- to Moderate-Income Working Families With Critical Housing Needs



Source: Center for Housing Policy calculations of U.S. Department of Housing and Urban Development American Housing Survey.
Critical Need: Household pays more than half of its income for housing and/or lives in a substandard unit.
Low- to Moderate-Income: Earns between minimum wage and 120% of area median income.